Management RECORD

Sept. 1958 • Vol. XX • No. 9

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NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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REGULAR FEATURES

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Management Record

September, 1958 Vol. XX, No. 9

• In the Record •

Not So Bad Higher Up!

Anyone who keeps up with the business scene has read articles in recent years decrying the diminishing differential that divides the hourly worker's pay from his supervisor's. The lament often goes on to suggest that pay structures for all other groups—middle management, professional, executive, etc.—have failed to keep pace with the rise in the hourly worker's scale.

Does such a situation actually prevail? Have companies allowed wage differentials between various groups to be flattened out if not rubbed out?

The answer, based on a continuing survey of twenty-five large companies, is a resounding no. Even though it is true that hourly increases are not always passed on to all higher-level groups, *pay structures are adjusted*. This means that merit increases can be given which would not be possible without the upward adjustment in structures. In fact, in the surveyed companies, the differentials between various groups were approximately the same in 1957 as they were in 1945-46. And if you look at supervisory vs. hourly structures as a whole, there was a widening rather than a narrowing of differentials in the period from 1950 to 1957.

For this analysis of pay structures, turn the page.

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Executive Retirement Programs

Executive fringes are going under the microscope! A series of articles will look at retirement, death and disability benefits, as well as other fringes not related to economic security. These surveys are based on a pilot study of forty companies.

The first in this series, appearing on page 294, examines executive retirement programs. For instance, when Mr. Q reaches sixty-five, the normal retirement age, must he retire or will the company permit him to continue working, and if so under what circumstances? How is Mr. Q's retirement income provided? Do his benefits always come from a pension plan or are other arrangements sometimes made? And what is the size of Mr. Q's pension if his salary was $50,000 a year? Or what does Mr. R get who only made $15,000? What about vesting rights? Can Mr. M collect the company's contributions if he leaves the firm after fifteen years of service?

This extensive article answers these and many other questions, looking especially at executives in the $15,000, $25,000, $35,000, $50,000 and $100,000 brackets.

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When Companies Pay for Family Travel

More and more companies are finding it necessary to send employees abroad on temporary assignments or short trips. One of the problems many of these firms face is whether they should allow the employee's wife and children to accompany him at company expense.

A recent Conference Board survey of twenty representative companies finds that the answer to this question depends on many factors. Most of the surveyed companies will pay traveling expenses for a wife if the trip is of long enough duration. But fewer firms will underwrite the cost of taking the children too. And "long enough duration" varies considerably from company to company.

"When Companies Pay for Family Travel," starting on page 298, details the practices of each of the surveyed firms.

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Personnel Administration and the Salesman

Most personnel departments take pride in the fact that they are ready and able to be of service to all other departments in the company. But one area many personnel people overlook is sales.

There are many reasons for this. Difficulties arise because salesmen usually operate in territories far removed from company headquarters. As a result, the salesman is often uninterested in any advice or suggestions that might come from the main office.

At SKF Industries, Inc., makers of ball and roller bearings, every effort has been made to surmount these difficulties. Members of the personnel department have made it their business to learn the needs and problems of the sales force. As a result they offer the same service to the salesmen as to other company employees. What has been accomplished by this personnel-sales cooperation is discussed in the article starting on page 302.

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Prices Up and Down

As many of our readers already know, the consumer price index for July went down, according to NICB, at the same time that it went up, according to BLS. Is somebody kidding, or why the discrepancy?

One answer is that not all the same cities are covered by the two indexes. An example of how this may affect the price reading can be seen in the transportation index for July. BLS says transportation went up 1%; NICB says it went up only .6%. BLS suggests that an end to the gasoline price wars in certain cities was to some extent responsible for the increase in its index. NICB doesn't cover the same cities. Of course there are other reasons for divergences, but this gives one idea of why the indexes don't always coincide.

This month's price story appears on page 308, with the personal care index given special attention in the second half of the article.

Surveying Trends in Pay Structures 1945-1957

WAGES AND SALARIES paid to employees at all levels represent the biggest single cost item for most companies. Recognition of the importance of this cost is reflected in the fact that, today, the decision makers in industry are giving more than lip service to the personnel administration function of preserving equity in wage and salary structures. Due to the general movement of wages in the past dozen years, companies have been examining and modifying pay structures with a care and regularity akin to the attention a meticulous gardener gives his prize roses.

The price of labor—whether it be skilled, semiskilled, unskilled, clerical, professional or managerial—has risen steadily since the end of World War II. In 1945-1946 there was national concern over the general prospects of high unemployment and a serious wage-price problem. Fortunately, unemployment did not develop as expected. But wages and prices were a hotly debated issue between management and labor, which eventually led to a series of strikes around the country.

NOT A TEMPORARY PROBLEM

In retrospect it is obvious the wage-price problem has neither been a temporary condition nor solely the product of the immediate postwar period of readjustment. The problem is very much alive and with us today, reaching serious proportions in some sectors of the economy. And there is every reason to believe that companies can expect a continuing rise in wages and salaries over the indefinite future.[1]

The general behavior of wages and salaries during the downturns of 1949 and 1953 is noteworthy. While prices generally had slipped by the end of 1949 and the wholesale price index and the consumer price index of 1953 receded somewhat, wages and salaries stubbornly resisted any cutting.

In the present recession, also, there is no apparent let-up in this trend. In fact, hundreds of large and small companies have reported general increases and adjustments in wage and salary structures during all of 1957 and the first half of 1958.[2] Admittedly, many of these adjustments are the result of long-term union contracts providing for deferred annual increases. On the other hand, company after company has decided unilaterally to raise pay and adjust structures of hourly and salary rated employees—exempt and nonexempt—not covered by union agreements. A case in point was the announcement in May of this year by the major auto makers of an upward adjustment in actual salaries paid and salary structures up to $8,000-$10,000 per year, even though no wage agreement had been negotiated for the employees represented by a union.

[1] See "Postwar Structural Wage Strains," by Frank C. Pierson, *Management Record*, August, 1957, p. 278.

[2] See monthly reports of "Significant Pay Settlements," *Management Record*, January-December, 1957 and January-June, 1958.

NO DOWNWARD ADJUSTMENT IN STRUCTURES

Company reports of general cuts in salaries during 1957-1958 are spotty. Where reductions have been effected, they appear to apply most frequently to high-level managers. In isolated cases, low-level exempt supervisors and professionals also saw their pay checks shrink as a result of such cuts. However, not a single announcement of general salary cuts coming to the attention of The Conference Board made any reference to a concurrent downward adjustment in salary structures.[1] No major company has announced a general cut in wages either for employees in a bargaining unit or for nonexempt employees not represented by unions.

Instead, the prevailing practice among the companies is to adjust to the business downturn by first eliminating overtime, then cutting back the workweek, and lastly scheduling layoffs.

Considerable data on the course of wages and wage structures for selected industries and companies have been released periodically since the end of World War II by the Bureau of Labor Statistics. Similar data are also available showing trends for certain clerical job classifications. For example, the Board examined the structures of eight selected clerical jobs in eighteen cities, based on salaries paid as of October 4, 1957.[2] But relatively little information is available on how pay structures for exempt supervisory and nonsuper-

[1] The term *structures* as used in this article means a series of wage rates or salary rates designed to compensate employees in accordance with skill levels and job requirements of the work they perform. It is regular practice in most of industry to design as many structures as there are occupational groups. This report deals with five structures, (1) nonexempt hourly, (2) nonexempt salary, (3) exempt salary nonsupervisory, (4) exempt low-level supervisory and (5) exempt high-level supervisory.

[2] "Clerical Salary Structures," *Management Record*, December, 1957, p. 428.

visory jobs fared during the surge of wages and salaries for nonexempt jobs.

NEED FOR WAGE AND SALARY DATA

All companies are alert to the need for meaningful, current and comparable wage and salary data for attracting and holding a stable workforce. Adequate data are assembled to observe prevailing rates in order to pay employees what the market requires. Facts and figures are also important before entering wage negotiations and for taking action unilaterally in making pay adjustments.

The sheer number of wage and salary surveys conducted over the years leaves little doubt about the general interest in trends in employee compensation. Many companies as well as a variety of organizations—trade and employer associations, local wage study groups, professional societies, labor unions, universities, research institutions, government agencies—conduct surveys periodically to assemble all sorts of pay data and information about pay practices. A vast majority of the surveys deal adequately with rank-and-file jobs in factory and office.

However, coverage of high- and low-level exempt jobs has received less attention, even though the demand for data is never ending. At present, though, there is evidence of increased activity in surveying exempt jobs as new and better methods are developed and tested.[1]

In addition to the usual problems associated with nonexempt compensation surveys, there are other barriers to securing exempt salary data. For example, there are more variations in methods of compensating exempt employees among companies in the same as well as in different industries. Some companies pay shift differentials and/or overtime in one form or another while others pay neither. Administration of incentive or bonus compensation for managers varies widely among companies having supplemental pay plans.[2] There is also the perennial problem of the great variations in duties and responsibilities of exempt jobs, which make it harder to assemble "comparable data." While differences can and do exist in popular "survey jobs" of stenographer, typist, machinist and turret lathe operator, they don't reach the magnitude found in such exempt jobs as controller, personnel manager, industrial engineer or production superintendent.

TWENTY-FIVE LARGE COMPANIES

The primary purpose of continuing surveys for a group of companies is to examine the trend in actual rates paid. Some survey forms are designed to get information on wage and salary structures—the minimum and maximum of job rates where ranges are in use.

Not all companies follow the practice of changing rate structures when granting general pay increases. Thus, two consecutive surveys might reveal an upward movement in actual rates but no related adjustments in structures. And because of the general practice of not combining exempt and nonexempt jobs in a single survey, it is practically impossible to determine whether participating companies are maintaining equity between these pay structures.

In order to explore trends in pay structures at all levels, The Conference Board analyzed a series of wage and salary data exchanged among twenty-five companies for several years. Twenty-two manufacturing and three nonmanufacturing companies make up the group. They represent a cross section of industry, including autos and auto parts, chemicals, communications, electrical equipment, glass, insurance, optical instruments, petroleum, retail trade and rubber.

The data reported are for December 1945, 1950, 1956 and 1957. Thirteen companies exchanged data for all four years; the remaining twelve companies exchanged them for only three years, beginning with 1950. However, it is understood that the base year for this continuing survey could be either 1945 or 1950, depending upon the availability of the data.

DIFFERENT KIND OF SURVEY

This twenty-five company survey is conducted annually and supplemented during the year with any changes that occur. It differs from conventional surveys in several ways:

- The principal objective is to provide each participant with organized data that reveal trends in rate structures.
- Data are reported for nonsupervisory and supervisory jobs in the following five major categories:

  Nonsupervisory—(1) Nonexempt hourly; (2) Nonexempt salary; (3) Exempt salary.

  Supervisory—(4) Exempt low level; and (5) Exempt high level.

- There is no need for any one company to act as a clearing house to handle the preparation and mailing of survey forms. Nor is there any necessity for summarizing the survey results at a central point. Instead, each company submits its wage and salary data to each of the other twenty-four companies in accordance with a prescribed form agreed upon by the group.
- Companies report to each other the *base rates* for nonexempt hourly jobs and the *midpoint* of rate ranges for jobs in each of the other four categories.
- Supplementary information concerning general increases and cost of living allowances are also reported. Information on fringe benefits and pay prac-

[1] "Compensation Surveys for High-Level Positions," *Management Record*, December, 1956, p. 418.

[2] See "General Pay Adjustments for Supervisors," *Management Record*, March, 1957, p. 78, and "Incentive Bonuses for Executives," *Management Record*, March, 1956, p. 82.

tices are excluded. But these data are exchanged among the group in a separate annual survey.

FORMAT OF SURVEY

The survey is actually a chronological record of the movement of pay structures from one year to the next. With few exceptions, the *base rates* for nonexempt hourly jobs are the result of wage negotiations with unions. This implies the *base rates* are the average rates actually paid, whether single rates or rate ranges are used. The survey form is designed to facilitate comparisons of *base rate* structures with, and their impact on, the structures of the four remaining categories.

Data are exchanged in January of each year because most companies in the group require the information in the spring. Trends in structures are compared for three jobs—one low-skilled, one medium-skilled and one high-skilled—in each category. Following are the instructions for the January, 1958 report:

Nonexempt Hourly:

Select three typical job titles—one low-skilled, one medium-skilled and one high-skilled—such as laborer, lathe hand, machinist or toolmaker.

Record the base rates for each job, including all general increases and cost of living allowances in effect on specified dates.

Nonexempt Salary:

Select three typical job titles—one low-skilled, one medium-skilled and one high-skilled—such as mail clerk, typist, nurse or tool designer.

Exempt Salary—Nonsupervisory:

Select three typical job titles with present day salaries approximating $500 - $600 per month. Each job is to represent a different function.

Exempt Low-Level Supervisory:

Select three typical job titles—low, medium and high skilled—with present day salaries approximating $500-$700 per month. Each job is to represent a different function.

Exempt High-Level Supervisory:

Select three typical job titles—low, medium and high skilled—with present day salaries approximating $700 - $1,700 per month. Each job is to represent a different function.

* * *

For the above four categories, record the midpoint of rate ranges for each job.

Participants are also advised to select only those job titles in which a representative number of employees are covered.

All rates are reported in equivalent cents per hour to facilitate comparisons between categories.

A typical company report is shown at the top of the next column.

Chronology of Typical Job Rates

Category	December 1945	December 1950	December 1956	December 1957
	Base rates, including general increases and cost of living allowances, in effect on:			
Nonexempt hourly				
Helper	$0.78	$1.32	$1.84	$1.94
Lathe operator	.97	1.55	2.14	2.27
Toolmaker	1.37	2.09	2.96	3.17
	Midpoint rates of structure, including general increases and cost of living allowances, in effect on:			
	December 1945	December 1950	December 1956	December 1957
Nonexempt salary				
Messenger	$0.66	$1.07	$1.70	$1.88
Senior stenographer	.92	1.38	2.05	2.22
Senior accountant	1.56	2.32	3.27	3.44
Exempt salary—nonsupervisory				
Junior chemist	$1.28	$1.90	$2.68	$2.85
Junior engineer	1.34	2.00	2.80	2.99
Accountant "A"	1.79	2.67	3.76	3.99
Exempt salary—low-level supervisory				
Invoice supervisor	$1.72	$2.56	$3.58	$3.80
General shift foreman	1.88	2.79	3.94	4.19
Division planner	2.07	3.08	4.34	4.60
Exempt salary—high-level supervisory				
Plant superintendent	$2.85	$4.25	$6.00	$6.30
Works chief, metallurgy	3.01	4.47	6.30	6.62
Works chief, engineering	3.49	5.19	7.33	7.70

JOB COVERAGE

There is some degree of uniformity in the companies' selection of low-, medium- and high-skilled jobs for the nonexempt hourly and nonexempt salary categories. Following is a tabulation of the frequency of selections:

Category	*No. of Companies*
Nonexempt Hourly	
Low skilled	
Laborer	13
Sweeper	6
Janitor	3
Elevator operator	1
General helper	1
Light assembler	1
	25
Medium Skilled	
Machine tool operator (production turret lathe, engine lathe, grinder, etc.)	12
Machinist	4
Maintenance man	3
Semiskilled jobs peculiar to the industry or company	6
	25
High Skilled	
Toolmaker	12
Maintenance craftsman	7
Machinist A	2
Skilled jobs peculiar to the industry or company	4
	25
Nonexempt Salary	
Low Skilled	
File clerk	12
Mail clerk and messenger	9
Typist	2

Key punch operator	1
Stenographer	1
	25
Medium Skilled	
Nurse (industrial and first aid)	12
Clerk-stenographer	9
Bookkeeping clerk	1
Detail draftsman	1
Payroll clerk	1
Statistical typist	1
	25
High Skilled	
Draftsman	7
Accounting clerk	6
Tool designer	4
Bookkeeper	1
Correspondent	1
Estimator	1
Executive secretary	1
Research clerk	1
Safety inspector	1
Senior clerk	1
Time study man	1
	25

Little consistency is found in the jobs selected for the nonsupervisory exempt salary category. And, as might be expected, there is no pattern in jobs covered in either the exempt low-level supervisory or exempt high-level supervisory categories. However, the trio of jobs are representative of different functions, including accounting, market research, personnel, plant engineering, product research and development, production, purchasing, and sales.

Job titles covered in the nonsupervisory exempt salary group are:

Assistant chemist
Auditor
Budget analyst
Business research analyst
Buyer
Copyrighter
Cost accountant
Electrical engineer
Inventory control analyst
Junior buyer
Methods engineer
Operating engineer
Personnel assistant
Process engineer
Process metallurgist
Product merchandiser
Production development engineer
Production engineer
Research engineer
Sales engineer
Structural design engineer

MAKING RATE COMPARISONS

Even though there is no pattern in job coverage for exempt jobs, participants find the data most valuable in comparing salary structures. Each company is in a position to examine its current structures well up into the middle-management levels with those of twenty-four other companies. There is also the opportunity of comparing practices for keeping exempt pay structures in line with general increases and cost of living allowances for nonexempt jobs.

Generally, rate structures—supported by a pay policy—are designed and maintained in accordance with some plan of formal or informal job evaluation. The principles of job evaluation assume that definite patterns of pay exist for each series of jobs—nonexempt production and clerical, and exempt professional and managerial. Job evaluation is the vehicle for determining job differences according to type and scope of work. And knowledge of job differences makes it possible to align jobs internally and correlate them with existing rates of pay.

This integration of pay and jobs, from low to high, underlies the logic of the twenty-five companies wanting to compare pay structures at regular intervals. It is the safe way of living up to such a policy as—"To pay fair and equitable wages and salaries with due consideration to prevailing rates."

The term, "prevailing rates," as used in a statement of policy, does not imply there is available data on what others pay for every job in a company. Rather, it indicates a desire that pay structures be at levels equal to the average of levels of other companies in either or both the labor market and the product market. Or, put another way, a company wishes to pay rates that are equal to the average rates of competition.

Practices for extending to nonexempt and exempt salary employees general increases given to nonexempt hourly workers vary widely in all of industry. For example, few follow the course of making equivalent adjustments to all, including top executives. Others stop with the exempt first-line supervisors. And still others use a dollar cut-off point.

1957 PAY ADJUSTMENTS

During 1957, all but one of the twenty-five companies in the survey reported general increases for nonexempt hourly jobs effective on dates ranging from February 1 to December 30.[1] Eighteen companies extended the increases to all five categories. Three excluded the exempt and nonexempt salary, and three others did not follow through with increases beyond the nonexempt salary groups.

However, even in the eighteen companies extending increases to all five categories, not all exempt employees received general increases. One company reports only two-thirds of its 15,000 exempt employees benefited. Another states almost half of its exempt employees received no general increases. Two others

(Continued on page 318)

[1] The single company discontinued general increases beginning in 1954.

Executive Retirement Programs

A pilot study of forty companies looks at the size of executive pensions, how the income is provided, the contributions executives make, and vesting rights

DO RETIREMENT PROGRAMS and policies for executives differ fundamentally from those for other employees? Apparently not, judging from the executive retirement arrangements found among forty companies in a recent pilot study of executive security benefits and other fringes. For example, only one of the companies has a pension plan designed specifically for executives; in the other companies executives are in the same retirement plan as all other employees or are in a plan for the salaried employees.

The practices in these forty companies also highlighted the following features of executive retirement programs:

- The accepted normal retirement age for executives in these companies is sixty-five; and nearly all executives retire at this age. In at least 60% of the companies, the retirement policy is such that work after sixty-five for most executives is precluded.
- On the average, an executive with thirty years' service at retirement would receive a pension that is 44% to 48% of his average salary over the period. If the pension is based on his salary during the five or ten years just prior to retirement, his annual check will represent about 30% to 35% of his average salary in these last years of his career.
- About two-thirds of the companies require the executive to contribute to some or all of the plans that provide his retirement income. His contributions are 3.5% to 4% of his pay, on the average.
- Typically, an executive trainee who enters the pension plan at thirty could leave the company with fully vested rights to the company contributions at any time after the age of forty-five or fifty.

RETIREMENT AGE OF EXECUTIVES

In all forty companies the specified normal retirement age for executives is sixty-five. And, in a majority of cases, practically all executives actually retire at sixty-five, judging from company experience with executives who have reached sixty-five in the past five years.

- In twenty-six of the companies, executives reaching sixty-five in the past five years rarely worked beyond that age. Eighteen companies report that *no* executives worked after sixty-five, and another eight said that only 1% or one or two continued after sixty-five.
- Only eight companies stated that *all* executives reaching sixty-five in the past five years continued at their regular, full-time job.
- Between these two extremes are seven companies where the per cent of executives who worked after sixty-five ranged as follows: 5% (two companies); 10% (two companies); 15% (one company); 33% (one company); 50% (one company).

At least a part of this pattern of executive retirement at sixty-five is the result of company pressure. In twenty-four of the forty companies the retirement policy is such that full-time work for most executives

About the Companies

This article is the first in a series that will describe the results of a recently completed pilot phase of a study of security benefits and other fringes for executives. Subsequent articles will deal with death and disability benefits for executives and with other fringes not related to economic security.

It should be noted that the companies in this pilot study were not selected in any systematic manner to be "representative" of some larger universe of companies. But the forty companies are large or medium-sized well-known organizations. To facilitate interviewing, half of the companies were chosen because their headquarters are in New York City. The companies outside New York were selected because their previous cooperation indicated that constructive criticism of the questionnaire for a national survey would be given.

Within this framework an attempt was made to diversify the companies by industry. The six nonmanufacturing companies include two airlines, an insurance company, a department store, a mining company, a wholesale distributor and a public utility. Among the thirteen durable goods manufacturers are four manufacturers of transportation equipment, two steel makers and two aluminum manufacturers, two heavy machinery and two light machinery manufacturers, and an appliance maker. Represented among the twenty-one nondurable goods manufacturers are chemicals, paper, rubber, food, tobacco, textiles and magazine publishing.

would be precluded after sixty-five. Sixteen companies make age sixty-five the "mandatory" retirement age. That is, not only are all executives expected to retire then, but there is no formal procedure for making exceptions. To make an exception is highly unusual and is done only under quite special circumstances. Only five of these companies have allowed an executive to work after sixty-five during the past five years, and then only a few.

Very similar to the mandatory retirement age is the arrangement which sometimes is labeled automatic retirement. As under a mandatory retirement procedure, all executives are expected to retire at sixty-five, but the possibility of exceptions is made implicit by a formal procedure for making exceptions. An executive at sixty-five automatically is retired unless the board of directors specifically allows him to continue; usually this continuation is on a year-to-year basis. Eight companies in this pilot study have an automatic retirement procedure at sixty-five. In one of these companies, no executives have worked beyond sixty-five during the past five years, and in two others only one or two have continued at their regular full-time jobs. In two companies, all executives have continued beyond sixty-five. In each of the other three companies, 10%, one-third and one-half of the executives have worked after sixty-five.

The remaining sixteen companies do not have a formal retirement policy which would act as a barrier to continued work after sixty-five for executives. Half of them have mandatory retirement at sixty-eight or seventy rather than at sixty-five; the other eight have neither mandatory nor automatic retirement at any age. Even so, six companies report that no executives have worked after sixty-five in the past five years. Another six state that *all* have continued after sixty-five. The remaining four have had some executives stay on after sixty-five: 50%, 15%, 10% and 5% respectively.

Postretirement Consulting

The above retirement experience of executives pertains only to their continued *full-time* work at their *regular* jobs after age sixty-five. But in twenty-one companies, formal retirement has not meant complete severance from the company for executives who reached sixty-five during the past five years. In these companies, some executives were retained by the company to serve as part-time, semiretired consultants.

In most cases, the number thus retained by any one company during the past five years has not been large. Fourteen companies retained only one, two or three executives as consultants. Two companies kept five executives and three companies retained eight, ten and fifteen, respectively.

By and large, these retired consultants provide counsel in their own field of special interest. They tend to be former members of top management or top executives in one of the technical fields such as engineering or research. There is some indication that many of these executives are used primarily to help on marketing problems.

Table 1: Structure of Executive Retirement Programs

Source of Retirement Income	*Basic Retirement Plan*	*Supplement to Basic Plan*
Pension	38	—
Deferred profit sharing	2	4
Thrift plan	—	1
Executive bonus	—	2
Employment agreement (for individual executives)	—	11

Work Load Reduction

Two of the companies surveyed have a formal method for cutting back the work load of executives who stay on after the normal retirement age of sixty-five until the mandatory retirement age. This is age sixty-eight in one company and age seventy in the other.

In one company an executive must take one month off (in addition to his regular vacation) without pay during the year following his sixty-fifth birthday. In the year after he reaches sixty-six he must take two months of unpaid time, and three months during the year following his sixty-seventh birthday. At sixty-eight he must retire.

In the other company, an executive's duties and responsibilities are reduced starting with the calendar year in which he becomes sixty-five. His administrative and executive responsibilities are turned over to others; he is allowed to retain only sales and advisory tasks. During the first year of reduced responsibility, the executive's pay is cut 15%. During the remaining four years until mandatory retirement at age seventy, his pay must be cut at least another 35%. Time off, in addition to regular vacation, is given to correspond to the reduction in pay. The time off may be taken in the form of shorter hours per day, fewer days per week or as extra vacation periods.

HOW RETIREMENT INCOME IS PROVIDED

Among the forty companies in this study, the basic method for providing retirement income to executives is a qualified pension plan. All of the companies use a pension plan except for two that rely solely on deferred profit sharing. In several companies there is provision for supplements to income from the pension plan (see Table 1).

In twenty of the thirty-eight pension plan companies, the plan covering executives includes *all* other employees in the company as well.[1] In another fifteen

[1] In a few cases employees in a bargaining unit are under a separate plan.

companies, executives are included in a pension plan with all other *salaried* employees.[1] In two more companies, executives are in a base plan for all employees as well as in a supplementary plan for all salaried employees.

Only one company has a pension plan designed specifically for executives. This company provides a supplemental benefit on top of the regular contributory plan benefits for those "individuals whose responsibilities and contributions are of outstanding importance, who have contributed most to the company by reason of exceptional merit, ability, efficiency and loyalty, and who participate in the [executive bonus plan]." An executive who meets these specifications is covered by the supplemental plan only after he reaches forty-five. The supplement is paid for entirely by the company.

Thus, except in this company, executives as a *group* are not singled out for special retirement income under pension plans. However, in eleven of the companies certain individual executives are not included in the pension plan; instead their basic retirement income is provided through an employment agreement. In six of these companies, the president is the only executive thus singled out. One of the employment agreements assures the president of $50,000 per year after retirement; another provides $50,000 for each year of service under the contract, payable in ten equal yearly installments. The other one for which information was available pays the president one-half of his salary at retirement, for five years.

In two other companies in this group of eleven that have individual employment contracts, a vice-president, as well as the president, receives his retirement income from an employment contract. In one company the president and one vice-president receive one-half of their salary at retirement. No information is available for the other company which uses an employment agreement to provide retirement income for the president and three vice-presidents.

In the three remaining companies in this group of eleven, the presidents' retirement income is not provided for in an employment contract, but that of other officers is. In two of these companies, the former owners of a firm which is now a division of the company are provided retirement income through employment agreements. The other company has agreements with ten executives (vice-presidents and plant managers); but this retirement income is to supplement that received from an earlier pension plan. This was done because age limits in a subsequent plan excluded these ten men from the increased benefits provided by the new plan.

These employment agreements are a formalized method of singling out specific executives for individualized retirement income. The pilot study companies were asked also about "informal" retirement income payments on an individual basis—either in lieu of or in addition to formal group retirement plans. Only eight companies said that this has been done in their organizations. But even in these companies it has been done infrequently, and the amount of income provided has been based almost entirely on the situation of the executive concerned. For example, one company has had only one case: a supplemental allowance given to a vice-president to compensate him for loss of accrued benefits under the retirement plan of his previous employer.

On the other hand, three companies apparently have had considerable experience with this practice. One company has provided supplementary income to about a dozen executives to boost benefits from an earlier pension plan. Two companies provide benefits for executives whose service in the pension plan is too short to provide adequate pensions. One of these companies attempts to provide 40% to 50% of salary earned in the year before retirement; the other adds enough to bring the pension in line with benefits under the formal pension plan.[1]

Executive Bonus Plans: Pension Supplements

Although executives as a group generally are not under separate pension plans, in at least two companies a pension plan supplement is provided for executives as a group—through the operation of the executive incentive bonus.[2]

In one of these companies the pension supplement aspect is more or less incidental. The executive bonus award for any year is paid in five annual installments beginning with the year following the award.[3] Therefore any executive who is sixty-one or older at the time the award is made will receive some of these installments after the normal retirement age of sixty-five.

The executive incentive plan of the other company has an identical provision. But the bonus committee can make the award in another form, which is definitely a pension supplement. All or part of the bonus for any year can be paid in 120 equal monthly installments following retirement.

Profit-Sharing and Thrift Plans: Pension Supplements

Another method of supplementing the pensions of executives is through qualified, deferred profit-sharing plans and thrift plans. Unlike executive bonus plans based on profit sharing, the qualified plans usually are designed specifically as retirement income supple-

[1] Two plans are designed for high-salaried employees generally. One is limited to those earning $8,500 or more and the other to those earning $7,500 or more.

[1] Three of the companies which use executives as semiretired consultants consider this primarily a form of individual retirement income supplementation.

[2] Only the interviewed companies were asked about this possibility.

[3] This is referred to as "earning out" the bonus. For a more detailed description of the "earned out" principle see "Incentives for Executives," *Management Record*, March, 1956, p. 82.

ments—not only for executives but for other employees as well.[1]

Four of the pilot study companies use deferred profit sharing as a supplement to a pension plan. Two of the plans cover all employees and two are limited to salaried employees.

- Company A has a more or less standard deferred profit-sharing plan. No contributions are required of covered executives. The amount of each year's profit-sharing distribution which an executive receives is based on his relative earnings. At retirement he can take his accumulated funds either as a lump sum or in installments spread over no more than ten years.
- Company B has a similar plan except that executives must contribute 2% of salary each year to be eligible for company profit distributions. Furthermore, at retirement the executive may take his accumulations in any combination or in any single one of the following forms: lump-sum cash; five annual cash installments; paid-up annuity.
- Company C does not require executive contributions but it allows him to take his funds at retirement in the form of stock if he wishes. In this plan, one-third of each year's distribution is used to buy company stock; the rest is invested in whatever manner the trustee decides. An executive has credits in both accounts. One option at retirement is to take his funds as a cash lump sum or as a single distribution of securities or both. Or he can choose cash monthly installments for no longer than 180 months or use his funds to buy a paid-up annuity.
- Company D uses its deferred profit-sharing plan to provide a variable annuity suuplement to the basic pension plan. Sixty per cent of employee contributions and company profit distributions is invested in company common stock; the other 40% is put into assets selected by the trustee. At retirement the executive receives a supplementary pension check which varies as the market value of these two funds varies.[2] An executive also can take his equity in the profit-sharing fund as a cash lump-sum payment if he wishes.

In this plan, executives must contribute either 1%, 2%, 3% or 4% of salary.

One company in the pilot group of forty firms has a thrift plan to supplement pension benefits of all executives (and all other employees as well). An executive can save up to 10% of his earnings under the plan. For each dollar he saves the company contributes 25 cents. Company contributions are used to buy company stock. Executive contributions are used to buy company stock or government bonds in whatever proportions the executive chooses. At retirement the executive receives the securities bought with his own and company contributions.

Profit Sharing: Pension Plan Substitute

Two of the companies in this study do not have a pension plan; instead they rely entirely on a qualified, deferred profit-sharing plan to provide retirement income for executives (and all other employees, as well). However, the two companies tackle the retirement problem in quite different ways.

The smaller company (3,500 employees) not only uses its profit-sharing plan as (1) the source of company money for retirement income but also uses it as (2) a direct incentive for employees to save on their own for retirement and as (3) the source of a Christmas bonus. To meet these three objectives, the company sets aside 20% of net operating profits before taxes in each year that at least 5% has been earned on the shareowners' investment.

Whatever profits are distributed in any year are used first to provide a Christmas bonus.

Remaining profits are then used to build up the accounts of those who choose to save for retirement by contributing 2%, 3%, 4%, 5% or 6% of their salary to the profit-sharing plan. These people receive 1% of their pay as a bonus for saving toward retirement.

Whatever profits are left are then distributed among all eligible employees in the company, whether they contribute to the plan or not. This distribution is made according to a point system based on salary and length of service. (One point is given for each $100 of earnings; and for each year of service 4% of these "salary" points are added.)

Earnings of the fund and company contributions to the fund, left by people who leave before they are entitled to full vesting, are split among individual accounts according to the relative size of each account. This is another incentive for executives to save and remain with the company since, for a given salary and seniority combination, the larger accounts of those who save, earn more than the accounts of employees who do not contribute.

The entire account, including company contributions, is given in case of total, permanent disability or death. For each year in the plan, 10% of the company contributions is vested in the employee so that after ten years (or age sixty) the entire account is available at termination for any reason.

The second company using profit sharing as the basis of retirement income for executives (and other employees, as well) employs some 25,000 people. However, in this case, some company contributions for retirement income are made regardless of profits. But

(Continued on page 313)

[1] Executive bonus plans also are based on profit sharing, but they do not meet the standards for "qualified" plans.

[2] Two other companies provide a variable annuity as part of the basic pension plan. In both plans part of the employee and part of the company contributions are used to purchase a standard fixed dollar benefit; the rest is invested in a separate fund which purchases common stock. The pension check from this equity fund varies as the market value of the stocks varies.

When Companies Pay for Family Travel

If an employee must travel abroad on company business, under what circumstances does a firm pay the travel expenses of his wife and children?

RULES and regulations established to guide the actions of employees in their company-connected activities may sometimes extend beyond the employees themselves. If employees must travel on company business, some companies are finding it practical, also, to establish rules concerning the travel of employees' wives and children.

These are companies with permanent overseas operations and/or those that occasionally assign domestic personnel to temporary foreign duty. It is temporary foreign duty that creates the most problems, since the length of individual trips may vary considerably. An assignment may be only a field trip; or it may require residence abroad for a short period of time; or it may last for a period of many months — even a year or two.

As a result, questions arise with regard to the employee's wife and, in some cases, his children. For example: may an employee's wife accompany him on foreign expeditions? If she does accompany him, should her travel expenses be paid by the company?

If the company's answer to this last question is "yes," another problem arises. If a wife's travel expenses are paid, may the children also accompany their parents abroad at the company's expense?

Still different questions arise when an employee is on a permanent overseas assignment and lives with his family at the foreign location. For example, may such an employee take his wife on business trips, at company expense, within the territory of his foreign assignment? Or may a wife accompany her husband back to the States, expenses paid, when he is called home for consultations with the company outside his regular home-leave period?

In an attempt to learn how companies with foreign operations settle these questions, THE CONFERENCE BOARD queried twenty firms about their practices.

The companies' responses to the queries are listed in Table 1. It is apparent from this table (and other tabulations throughout the text of this article) that there is considerable variation in company practice on these matters. It is apparent, also, that many companies have flexible practices with regard to some situations or, at least, are willing to change their rulings to fit individual circumstances.

In general though, certain over-all conclusions may be drawn. Most companies permit wives to accompany their husbands on overseas trips, but payment of a wife's travel expenses is usually determined by the length of the overseas assignment. Also, more companies pay the expenses of the employee's wife than pay the expenses of their children. When employers do agree to pay children's expenses, they generally do so only when an employee's overseas assignment is of extended duration.

A minority of the companies pay the expenses of wives who accompany their husbands on business trips back to the United States from their permanent or temporary foreign assignment posts. This is true, also, of trips that employees take within their foreign assignment areas.

MAY WIVES ACCOMPANY EMPLOYEES OVERSEAS?

The majority of companies covered by this survey say they generally permit employees to take their wives on trips to foreign areas, but many qualify this permission. Following are the responses of the twenty companies:

May an Employee Take His Wife Overseas?	*Number of Companies*
Yes, without qualifications	8
Yes, with qualifications	5
The action depends on the circumstances of each case	4
No	3
Total	20

These figures show that thirteen (or 65%) of the surveyed companies permit wives to accompany their husbands, although some of these companies have qualifying conditions. In addition, four companies have flexible arrangements and may occasionally grant such permission, depending upon the individual case. Actually, therefore, seventeen (or 85%) of the twenty companies permit wives to accompany their husbands overseas, although some do so only under certain specified circumstances.

The qualifying conditions mentioned by two companies (Companies A and B in Table 1) concern the duration of the assignment and the kind of accommodations available at the assigned post. In another instance (Company C in Table 1), the company permits a wife to accompany her husband "if the wife's presence will not materially interfere with the work to be done on the trip."

Company D's "if," which is more technical, follows here:

"If the employee has spent at least ninety days in the foreign location in a cumulative period of time; if the overseas temporary assignment is for a thirty-day minimum, including travel, and if his wife has not accompanied him on a similar trip during the preceding twelve months."

Company E does not favor the idea of a wife accompanying her husband on a field trip or a short overseas assignment, but a wife may go along if her husband's assignment is for one year or more.

In the special circumstance cases, companies say either that their practice on this matter is flexible or that the decision is a prerogative of management and is determined on the individual merits of each employee's case.

ARE TRAVEL EXPENSES PAID FOR EMPLOYEE'S WIFE?

All the companies that permit wives to accompany their husbands on foreign trips will pay their expenses provided the trip is of long enough duration.

Only three cooperators pay the wife's travel expenses if the assignment is for less than three months. (See Table 1.) And one of these, Company F, has other restraining conditions. Company F differentiates between field trips and temporary assignments. Field trips are the province of senior officers who may take their wives along at company expense regardless of the time period involved. The temporary overseas assignments for other employees are of two types. One is a short assignment of a few months and a wife may accompany her husband, but at the employee's own expense. For a longer assignment — usually one of at least six months — the wife's expenses are paid by the company.

Another of the three companies (Company D) pays a wife's expenses for an assignment that is as short as one month.[1] But the company will do this only once in a twelve-month period. The third company (Company G) pays such expenses if the trip is for as little as six weeks, but it also considers factors such as the purpose of the trip and the number of previous journeys on which an employee was accompanied by his wife.

At the other extreme, three companies require that the assignment be of at least one year's duration. And one company requires two years.

Following is a breakdown on the payment of wives'

[1] Another condition of Company D explained earlier is the requirement of a cumulative service period of ninety days in the foreign area.

Table 1: Company Practices Regarding Foreign Travel of Employees' Wives and Families

Company	May wives accompany husbands on temporary overseas assignments?	Are wives' expenses paid?	Are expenses of children paid?	Are wives' expenses paid on business trips back to States?	Are wives' expenses paid on trips in foreign area of assignment?
A	Yes (qualified)[1]	Yes (12 months' assignment)[2]	Yes	No	No
B	Yes (qualified)[1]	Yes (6 months' assignment)	Yes	No	No
C	Yes (qualified)[1]	Yes (6 months' assignment)	Yes	No	No
D	Yes (qualified)[1]	Yes (30 days' trip)	Usually no	Perhaps	Perhaps
E	Yes (qualified)[1]	Yes (12 months' assignment)	Yes	No	No
F	Yes	Yes[3]	Yes[4]	Perhaps	No
G	Yes	Yes (6 weeks' trip)[5]	No	Perhaps	Perhaps
H	Depends on circumstances	Depends on circumstances	No	No	No
I	No[6]	No	No	No	No
J	Yes	Yes (3 months' assignment)	No answer	No answer	No answer
K	Yes	Yes (4 months' assignment)	Yes	Perhaps	Perhaps
L	Depends on circumstances	Yes (6 months' assignment)	No	No	No
M	No	No	No	No	No
N	Depends on circumstances	Depends on circumstances	No answer	No	No
O	No	No	No	No	No
P	Yes	Yes (3 months' assignment)	No	Perhaps	Perhaps
Q	Depends on circumstances	Depends on circumstances[7]	No answer	Perhaps	Perhaps
R	Yes	Yes (1 year's assignment)	Yes	No	No
S	Yes	Yes (for extended period)	No	No	Perhaps
T	Yes	Yes (2 years' assignment)	Yes	No	No

[1] Approval is subject to various qualifications that are described in the text.
[2] Consideration may be given to paying expenses for a lesser period.
[3] Expenses are paid for wives of senior officers on field trips and for wives of those on overseas assignments of more than six months but not for assignments under six months.
[4] Only for children of employees on assignments of six months or longer.
[5] Payment of expenses depends, also, on the purpose of the trip and the number of previous trips on which the employee was accompanied by his wife.
[6] The company may occasionally change its ruling in case of unusual circumstances.
[7] The expenses of wives of United States managerial staff are not paid on brief trips abroad. But such expenses are paid by the company's foreign affiliate if an employee is sent overseas for a period of one year or longer at the request of the foreign associate.

traveling expenses in all seventeen companies that permit wives to accompany employees overseas:

Company Practice	*Number of Companies*
Pays expenses even if assignment is for six weeks or less	3
Does not pay expenses unless the trip is for a minimum period of:	
3 months	2
4 months	1
6 months	3
1 year	3
2 years	1
An extended period (not explained)	1
Flexible, depends upon the circumstances	3
Total	17

Of the three companies whose decisions change according to the circumstances of the individual case, one says only that its rule is flexible. The other two describe their actions as follows:

Company H: "Our arrangement is moderately flexible on assignments of less than six months. Below the level of department head, only a person who travels regularly about three months per year is permitted to take his wife along, expenses paid. Even then, permission would depend upon the length, the nature and the purpose of the trip, and individual factors. If an employee is assigned for longer than six months, however, his wife may go along at company expense."

* * *

Company Q: "Each case is determined on its own merits depending on such factors as type of assignment, length of service that the employee will put in overseas, etc. This would permit flexibility with variance in almost every case."

Company A, which pays the wife's expenses when an employee's temporary assignment is for twelve months or more, amends its rule to the following extent:

"Generally speaking, travel expenses incurred by a wife (or minor dependent) of an employee who takes an overseas field trip or undertakes a temporary foreign assignment of less than six months' duration are assumed by the employee. When a temporary assignment is longer than six months but less than twelve months, *consideration may be granted* for the payment of such travel expenses."

One of the companies that requires an assignment to be for a minimum of three months before it will pay the expenses of an employee's wife has a somewhat unusual arrangement even when the assignment is for a longer period. This is how the firm (Company J) describes its practice:

"An employee who desires to take his wife with him from the outset might well do so with the consent of the company but at his own expense if it is anticipated that the duration of the temporary assignment will be for three months or less. For assignments of three to twelve months, visiting privileges are allowed wherein the employee may return to his home, at company expense, on the basis of one trip for each additional three months in excess of the first three-month period. With the company's approval, the employee may elect to have his wife visit him at his overseas temporary assignment post in lieu of his privilege of returning to the United States. In these cases the company would assume the cost of the first-class air transportation to and from the overseas post for the employee's wife."

One of the companies (Company I) that does not favor wives going on overseas assignments with their husbands and does not pay expenses of such a trip amends its "no" to this extent:

"Occasionally we might consider sending the wife of an employee abroad when he is on a temporary assignment or trip. This does not happen very often and it primarily depends upon the circumstances involved."

MAY CHILDREN ACCOMPANY THEIR PARENTS?

In contrast to the seventeen companies that pay expenses of employees' wives, at least in some instances, only eight do so for children of the employees. Following are the figures showing the practice among the seventeen companies:

Company Practice	*Number of Companies*
Pays children's expenses	8
Does not pay children's expenses	6
No answer	3
Total	17

In most cases, the companies that pay expenses for children of the employee are those that require a fairly long overseas assignment before agreeing to pay expenses even for the wife. The company with the shortest time-period requirement is Company K. It pays the expenses of wives and children when the assignment is for a four-month minimum. This company says:

"If the trip or assignment is to last more than four months, it is considered in the same light as an indefinite overseas assignment and the entire family is moved at company expense to the new location."

Company R explains that its field trips are of short duration and are made by senior or managerial staff members who are not accompanied by their wives and children. But if the company's foreign affiliate requests temporary personnel for an assignment of from one to two years, that company assumes all the expenses of transporting the employee, his family and household possessions.

Company D which requires a trip of thirty days' duration before paying a wife's expenses pays expenses of children only under one condition:

If a domestic employee is given an extensive temporary assignment to provide relief for a foreign employee going on extensive vacation, he may take his entire family, expenses paid.

Among other company comments are the following:

Company A: "When travel and expenses are provided for the employee's wife, similar arrangements will be provided for children of high school age or below."

* * *

Company C: "In any case in which we would pay the expenses of the wife, we would also pay expenses of any children up to and including age eighteen."

* * *

Company B: "Usually, if the assignment is to be in excess of six months, an employee's family is permitted to accompany him with the company paying, through expense account, all travel costs and the excess of living costs over the employee's estimated average costs per month in the United States. To qualify under these arrangements, children must be unmarried and under nineteen years of age."

TRIPS FROM THE FOREIGN POST

The employee stationed overseas either on a permanent or semipermanent basis may be required to take trips in connection with his job duties. These trips may be back to the head office in the United States or they may be in or near his foreign area of assignment. Cooperating companies were asked whether they permit wives to accompany their husbands, at company expense, on such journeys.

Trips to the States

The majority of companies do not pay the expenses of wives on business trips back to the United States. The following table shows twenty companies' practices:

Company Practice	*Number of Companies*
Does not pay expenses of wives on trips to United States	13
Decision depends on special circumstances	6
No answer	1
Total	20

One company amends its "no" with the following statement: "Unless the domestic assignment is for several months' duration." Another says the employee's family may accompany him back to the States, expenses paid, but this would be in lieu of their passage home at the end of the overseas assignment. The employee, therefore, would be required to pay for returning his wife and/or family overseas as well as for returning them to the United States at the end of the assignment or on the next home leave.

Those companies (Companies D, F, G, K, P, Q) that indicate they will pay the traveling expenses of the wife under special circumstances normally base their decision on the length of the assignment. Companies F and G say the business trip home would have to be of relatively long duration. And Company D explains that a foreign service employee temporarily assigned outside his foreign post is subject to the same policy provisions as United States domestic employees traveling to foreign areas.[1]

A minimum period of four months is cited by Company K which explains that a trip of that duration would be considered, for travel expense purposes, the same as a transfer. Therefore, the entire family's travel expenses would be paid by the company.

On the other hand, Companies P and Q base their decisions on the individual case. Company Q says:

"Management has reserved the right to make a decision on the individual facts and attempts to make the decision which would be most appropriate and beneficial to all concerned."

Company P describes its situation as follows:

"Whether an employee's wife may accompany him to the States at company expense is dependent upon the then existing circumstances."

Business Trips in Foreign Areas

Except in two firms (Companies F and S), the same practices prevail with regard to paying wives' expenses for journeys within the foreign assigned areas as for trips to the United States. Company F, which will pay a wife's expenses for a journey back to the States when the employee's trip is of long enough duration, will not allow the wife to accompany the employee, at company expense, on a trip within the foreign assignment area. The company says the reason for this difference in practice is that a trip from the foreign post to some other foreign territory would seldom occur. And if the need for such a trip did arise, it would be completed within a short time so there would be no need for anyone but the employee to make the trip.

Company S faces a different situation. It does not pay wives' expenses on business trips back to the United States, but it will occasionally pay for journeys within the foreign assignment areas. This company says:

"Short business trips, as from England to the continent, or Argentina to Brazil are authorized from time to time with our executive being accompanied by his wife at company expense. Exceptionally, we might agree to other family members going along."

Company P, which will pay for trips to the United States and in the foreign area under special circumstances, comments on its practice as follows:

"If an employee is traveling within his own territory, his wife generally is not authorized to accompany him at company expense. However, should he be traveling outside his territory, decision would be made after due consideration of the then existing circumstances."

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Division of Personnel Administration

[1] As explained earlier, these provisions entail a ninety-day cumulative period of service overseas on the part of the employee; a minimum thirty-day assignment away (including travel time), and only one trip for his wife in any twelve consecutive calendar months.

Personnel Administration and the Salesman

One company has found that close cooperation between the personnel and sales departments has built an efficient, hard-hitting field force

MODERN personnel administration is scarcely more than a generation old. During this short time it has achieved remarkable growth. Now almost all companies, except some of the very small ones, have departments of personnel administration.[1]

But the differences among these departments are great. Personnel administration may mean one thing in Company A. It may mean something very different in Company B across the street and something else again in Company C in a neighboring town.

When put in large perspective, personnel administration may be defined as that part of management's job which is concerned with the effective leadership of the human beings in an organized enterprise. This is clear enough. But confusion may arise when an attempt is made to spell out the implications of the definition. For example, just what is meant by effective leadership? Which activities are properly a part of the line or operating manager's job and which are best carried out by the centralized personnel department?

Consider personnel's role. Critics of the personnel administration department have described it as a conglomerate of unrelated activities. They list such activities as policy formulation, organization planning, employment, training, food services, merit rating, recreation, communications, benefit plans, medical services, wage and salary administration, plant guarding, etc., and ask how they possibly can be related and brought logically under one tent.

As a result there are wide differences in the activities administered by company personnel departments. There are differences in functions covered by the department, in levels reached by its personnel in the over-all company hierarchy, and in groups with which the department deals. An example of each may be cited.

Functions: Wage and salary administration is an important personnel function in many companies, but in others the personnel department does not become involved at all in pay practices.

Levels: Although employment is a central personnel activity in almost all companies, few presidents look to their personnel specialists when they are in the market for a new vice-president.

Groups: Personnel departments seldom have much contact with the company's salesmen and sales managers.

The fact that there are differences among personnel departments need not be interpreted as an unfortunate thing. Rather, it would seem just the opposite. From the beginning, personnel administration has been a healthy, dynamic movement. It has not hesitated to reach out, to challenge old practices, and to try new ways. Experimentation is continuing. There have been different practices from company to company, and there will continue to be different practices. It may be some time before personnel administrators themselves can come to any general agreement on the exact role that personnel can and should play in a business organization.

A Forgotten Man?

As a result of the wide differences in the role personnel administration plays, personnel departments in a great many companies feel little responsibility for what goes on in their sales units. And, it is argued by some that the salesmen probably like it this way. To many people, the typical salesman is a *prima donna* who prefers to be left alone. He regards himself as essential to his company's existence. But he purportedly feels no one at the company understands him, and he is suspicious of anything that emanates from company headquarters. Thus, the salesman is not inclined to give much attention to those who offer him advice on how to do his job, especially if they themselves have had little or no sales experience. It is commonly thought that the salesman is particularly resistive to the ideas and "meddlings" of personnel people.

In some companies, this picture of the salesman is fairly accurate.

The very fact that salesmen usually work out of branch offices some distance from company headquarters and are on their own most of the time may lead many of them to think of themselves as apart from the organization. They are not likely to visit the company often or to get to know many employees in the different departments.

And more than a few companies have encouraged their salesmen to regard themselves as independent

[1] "Personnel administration" as used in this article refers to all the activities in a company that have to do with people. The personnel departments in some companies bear other names, such as industrial relations, human relations and the like.

operators, thus widening the gap between the home office and the field group and deepening the feeling of separation and aloneness on the part of the salesmen. In some such instances the new salesman may be told in effect: "Here's our price list, and here are your order blanks. This map shows you your territory. Your commission is 10% and there is no ceiling on your earnings. Now go out and make a million dollars!"[1]

SKF's Position

At SKF Industries, Inc., makers of roller and ball bearings, the thinking that salesmen are "different," that they want to be left to their own devices, and that the company should not and cannot help them do their jobs better is rejected *en toto*. Instead the salesman is thought of as "a good average Joe" with about the same interests and needs as other employees.[2] Almost from the beginning, SKF has taken a close interest in its salesmen and their problems.

Thus, at SKF it follows as a matter of course that staff departments stand ready at all times to provide full service to the men in the field organization. Far from considering this unusual in any way, SKF would regard anything less as plainly illogical and as evidence of poor business management.

SKF's vice-president of industrial relations (SKF prefers "industrial relations" to "personnel") conceives of his responsibility as reaching to everyone on the payroll. "Just as our controller is responsible for all company funds," he explains, "I feel accountable for everything that happens to our people. It makes no difference if some of these people are 100 miles or 1,000 miles away. We are just as interested in the salesman as we are in the office clerk, the machine worker, the supervisor or anyone else."

SKF has approximately seventy-five salesmen in the field. They call on companies (e.g. aircraft), and the average sale is a large one. An engineering background is considered important, but the company has found that a degree in engineering is not always essential. Most of the salesmen, when hired, are in their twenties or thirties. About 80% of their compensation is salary, the remainder being "incentive pay." (Incentive pay is based on a number of factors—such as sales volume, customer coverage, customer relations, cooperation, and personal improvement.)

Members of SKF's personnel department have made it their business to familiarize themselves with the problems of the salesmen and to keep in close touch with the field situation. Only by doing this, they know, is it possible to give the sort of advice and help that will be welcomed and used.

Illustrations of how SKF's sales and personnel departments work together are numerous. In general, the salesman is considered the same as other company employees. He is entitled to the same benefits, measured by the same standards of performance, and subject to the same controls.

It would be difficult to name an area of personnel service in which personnel has not participated actively. Personnel specialists have designed programs to help with the recruitment and selection of salesmen, with training courses both at the company headquarters and in the field, with rating systems, compensation plans, benefit programs, and so on. For instance, a sales training manual, just completed, was described by SKF's director of sales as "An excellent job, and I appreciate the effort and work that went into it."

Personnel's work in recruitment and selection may be cited to illustrate how the department has contributed its special knowledge and skills to the important objective of getting the "right" men to represent SKF in the field.

Working closely with the sales managers, a comprehensive manual of "Personnel Recruitment and Selection" was prepared and distributed. It spells out in detail a practical approach for locating and screening likely new salesmen. Considerable space in the brochure is devoted to a brass-tacks discussion of good interviewing techniques.

The field manager, who will be doing much of the interviewing, is given still more help. The personnel vice-president conducted and recorded a long searching sample interview with a typical sales applicant in order to illustrate interviewing techniques. And now copies of the recording are being used to help the sales managers perfect their own skills. An excerpt from the interview is reproduced in the accompanying box.

This service is merely one example of the technical areas in which the personnel and sales departments cooperate to build an efficient, hard-hitting field force at SKF.

Comment by the Sales Department

This account would not be complete if it were limited to the opinions of personnel workers. Thus, the views of SKF's sales department were solicited, too. The director of sales was asked: "How do you and your associates here at headquarters and your men in the field feel about the work being done in your department by the personnel staff?" His answer in the main was quite favorable, but, not unexpectedly, he also had some criticisms to offer.

He said: "We welcome the opportunity to work with our personnel department. They perform a real service. It's a good thing for a salesman to know that someone in addition to his boss is interested in him,

[1] This abbreviated sales "training course" represents something of a caricature of actual practice, of course, but is essentially a true description of the "sink or swim" philosophy. While this philosophy is still in evidence, the trend is toward a more responsible approach wherein company management shares the risks of the job with its sales representatives.

[2] SKF's executive offices and two large plants are located in Philadelphia. Four other plants are situated elsewhere in the United States, mostly in the East. The American company, established in 1909, operates independently of the original organization in Sweden.

Interview with a Sales Applicant

The applicant in this interview has had previous sales experience. The interviewer is asking him about the work he did for his last employer.

Interviewer: What was the scheduled time required to sell your company's product?

Applicant: It varied considerably on standard product lines. It might be a rather short time—from one to two months. On a larger more detailed installation, up to two years.

I: Did you operate against a quota?

A: No, I did not.

I: Did your company have a sales forecast or sales plan?

A: The closest they came along that line was a general idea of what they wanted to do. They're a small organization and they don't proceed on the basis of a budget or established forecasts. It was very flexible because of the personalities involved.

I: What kind of a sales record did you have with them?

A: I would say that volume-wise it was not very good because of poor machine-tool sales generally at that time. I know from some of the comments made to me by customers and distributors that I had done a great deal to improve our relations and conditions in the territory.

I: Did you start from scratch or did you have some accounts supplied?

A: I had some accounts to work on when I started.

I: Approximately what was your volume?

A: Around $800,000. That takes into account distributor sales as well as direct sales.

I: Tell me something about the paperwork on the job.

A: I had to submit detailed reports on each call and contact as well as interoffice correspondence and prepare those quotations that could be handled without going to engineering.

I: What percentage of time did you spend on paperwork?

A: I would say approximately 25%. My paperwork was done in the evenings and on weekends.

I: Have you ever participated in a sales training program?

A: I have had product training carried on at the factories to further product knowledge. Also, I have had new product training with various manufacturers. I've done as much reading along sales training lines as my time would permit.

I: Did you gain anything from your reading?

A: Not as much as from my experience.

I: If you could have a sales training program other than product training, what phases do you think you'd like to cover?

A: I think the phases most helpful to me would be psychology and human relations.

I: Have you had any problem closing a sale?

A: If I have everything I feel necessary to make the order complete, I ask directly for the order. If the buyer is not going to place the order, the worst he can say is "no."

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and this is one function that personnel performs.

"They have set up some controls. Decisions affecting salesmen can't be made just on someone's whim or on the spur of the moment. We now insist on getting all the facts and making reasoned judgments. That's certainly a good thing.

"On the other hand, we must remain flexible. There are more forms to fill out and more reports to turn in than we like. A sales department can't be hamstrung. We must be able to move fast at times. There are some problems to work out in these areas.

"I'd say that the salesmen who have come into direct contact with our personnel staff and with the work it is doing are pretty well sold on its value. Those who have just heard about it in a roundabout way are apt to be suspicious. As more and more of our men are affected personally by their work, I believe acceptance will soar even higher than it is today."

Achievements Cited by the President of SKF

In addition, the president of SKF cited the work staff departments, such as personnel, are doing for line divisions, such as sales. He writes:

"SKF's experience in effectively utilizing our staff specialists to complement our line operations in 'traditional' line areas has been a wholesome and broadening one for our entire management team.

"Among the readily discernible results we hav noted have been improved sales employee morale and efficiency, a better caliber of sales applicants and em ployees, and continually improving sales volume.

"The improvement in operations specifically result ing from this aggressive joint personnel-sales program has led us to feel that SKF is pioneering in discovering new vistas of joint line-staff operations—almos evolving into a sharper, more modern concept of tradi tional line-staff responsibility relationships—the ne result of which has been embodied as the basis of ou recently issued company policy.

"In summary, it declares:

(1) "Line people must fully utilize staff on a activities where staff specialists are availabl

(2) "Staff people must tailor their recommenda tions to fit operating needs.

(3) "Neither line nor staff may act unilaterally- they must act jointly and cooperatively.

(4) "Disagreements must be reconciled throug regular organization channels."

STEPHEN HABBE
Division of Personnel Administratio

Significant Labor Statistics

Item	Unit	1958							Year Ago	Percentage Change	
		July	June	May	April	Mar.	Feb.	Jan.		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes											
All Items (NICB)	1953 = 100	107.4	107.5	107.3	107.2	106.8	106.6	106.3	104.8	−0.1	+2.5
Food	1953 = 100	107.8	108.1	107.8	107.6	106.4	105.4	104.5	102.8	−0.3	+4.9
Housing	1953 = 100	106.5	106.8	106.8	106.8	106.8	106.9	106.8	105.5	−0.3	+0.9
Apparel	1953 = 100	101.9	102.0	102.0	102.2	102.0	102.0	102.0	101.2	−0.1	+0.7
Transportation	1953 = 100	109.8	109.1	108.8	108.5	108.5	108.8	109.6	107.6	+0.6	+2.0
Sundries	1953 = 100	110.0	109.8	109.7	109.6	109.4	109.3	109.1	107.2	+0.2	+2.6
Purchasing value of dollar	1953 dollars	93.1	93.0	93.2	93.2	93.6	93.8	94.0	95.4	+0.1	−2.4
All Items (BLS)	1947–1949 = 100	123.9	123.7	123.6	123.5	123.3	122.5	122.3	120.8	+0.2	+2.6
Employment Status[1]											
Civilian labor force	thousands	70,743	70,418	68,965	68,027	67,510	67,160	66,732	70,228	+0.5	+0.7
Employed	thousands	65,179	64,981	64,061	62,907	62,311	61,988	62,238	67,221	+0.3	−3.0
Agriculture	thousands	6,718	6,900	6,272	5,558	5,072	4,830	4,998	7,772	−2.6	−13.6
Nonagricultural industries	thousands	58,461	58,081	57,789	57,349	57,239	57,158	57,240	59,449	+0.7	−1.7
Unemployed	thousands	5,294	5,437	4,904	5,120	5,198	5,173	4,494	3,007	−2.6	+76.1
Wage Earners[2 3]											
Employees in nonagr'l establishm'nts	thousands	p 50,199	r 50,396	r 49,949	49,726	49,690	50,223	50,937	52,229	−0.4	−3.9
Manufacturing	thousands	p 15,165	r 15,188	r 15,023	15,104	15,355	15,603	15,877	16,702	−0.2	−9.2
Mining	thousands	p 706	r 715	711	716	733	784	803	824	−1.3	−14.3
Construction	thousands	p 2,908	r 2,824	r 2,685	2,493	2,316	2,374	2,606	3,046	+3.0	−4.5
Transportation and public utilities	thousands	p 3,908	r 3,905	r 3,874	3,883	3,110	3,954	3,995	4,194	+0.1	−6.8
Trade	thousands	p 10,983	r 11,031	r 10,961	10,940	10,939	11,244	11,432	11,229	−0.4	−2.2
Finance	thousands	p 2,405	r 2,387	r 2,370	2,356	2,348	2,339	2,340	2,396	+0.8	+0.4
Service	thousands	p 6,464	r 6,482	r 6,455	6,384	6,267	6,399	6,396	6,427	−0.3	+0.6
Government	thousands	p 7,660	r 7,864	r 7,870	7,850	7,822	7,526	7,488	7,411	−2.6	+3.4
Production and related workers in mfg. employment											
All manufacturing	thousands	p 11,375	r 11,406	r 11,245	11,310	11,542	11,777	12,033	12,784	−0.3	−11.0
Durable	thousands	p 6,283	r 6,338	r 6,269	6,337	6,502	6,631	6,850	7,445	−0.9	−15.6
Nondurable	thousands	p 5,092	r 5,068	r 4,976	4,973	5,040	5,146	5,183	5,339	+0.5	+4.6
Average weekly hours											
All manufacturing	number	p 39.2	39.2	38.6	38.3	38.6	38.4	38.6	39.8	0	−1.5
Durable	number	p 39.4	39.6	39.1	38.8	39.0	38.6	38.9	40.0	−0.5	−1.5
Nondurable	number	p 38.8	38.7	38.1	37.6	38.1	38.1	38.3	39.4	+0.3	−1.5
Average hourly earnings											
All manufacturing	dollars	p 2.13	2.12	2.12	2.11	2.11	2.10	2.10	2.07	+0.5	+2.9
Durable	dollars	p 2.28	r 2.27	2.25	2.24	2.25	2.24	2.24	2.20	+0.4	+3.6
Nondurable	dollars	p 1.94	1.94	1.94	1.94	1.93	1.92	1.92	1.89	0	+2.6
Average weekly earnings											
All manufacturing	dollars	p 83.50	83.10	81.83	80.81	81.45	80.64	81.06	82.39	+0.5	+1.3
Durable	dollars	p 89.83	r 89.89	87.98	86.91	87.75	86.46	87.14	88.00	−0.1	+2.1
Nondurable	dollars	p 75.27	75.08	73.91	72.94	73.53	73.15	73.54	74.47	+0.3	+1.1
Straight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.09	2.08	2.08	2.07	2.06	2.06	2.06	2.02	+0.5	+3.5
Durable	dollars	p 2.23	r 2.22	2.20	2.20	2.20	2.19	2.20	2.14	+0.5	+4.2
Nondurable	dollars	p 1.90	1.90	1.91	1.91	1.90	1.89	1.89	1.85	0	+2.7
Turnover Rates in Manufacturing[2]											
Separations	per 100 employees	p 3.0	2.8	3.5	4.1	4.2	3.9	5.0	3.2	+7.1	−6.3
Quits	per 100 employees	p 0.8	0.8	0.8	0.7	0.7	0.7	0.8	1.4	0	−42.9
Discharges	per 100 employees	p 0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0	0
Layoffs	per 100 employees	p 1.8	1.6	2.4	3.0	3.2	2.9	3.8	1.4	+12.5	+28.6
Accessions	per 100 employees	p 3.2	3.6	2.9	2.5	2.4	2.2	2.5	3.2	−11.1	0

[1] Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
[2] Bureau of Labor Statistics
[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.
p Preliminary. r Revised.

Labor Press Highlights

Teamster Alliances and the AFL-CIO

IN WHAT it terms a "decisive step to protect the labor movement from any and all corrupt influences," the AFL-CIO executive council has ordered that all alliances between AFL-CIO affiliates and the Teamsters' union be dissolved as soon as possible. According to the *AFL-CIO News*, the federation's executive council took the step after being confronted with an increasing number of alliances between member unions and the union that was expelled from the federation last December.

Prior to the executive council meeting that proclaimed this policy, AFL-CIO President George Meany had already been vocal in his denunciation of alliances with the Teamsters' union. Mr. Meany maintained that alliances that are of such a nature as to assist the Teamsters' corrupt leadership in retaining control, or that have the effect of lessening the desire of union members to overthrow such leadership, are contrary to the spirit and letter of the AFL-CIO constitution.

According to earlier editions of the *AFL-CIO News*, Mr. Meany declared that expulsion from the AFL-CIO must mean more than stopping the payment of per capita taxes, and disaffiliated unions should not be treated in the same fraternal fashion as if they were still federation affiliates.

Mr. Meany also castigated the argument that unions maintain alliances with the Teamsters only to protect their self-interest. Said Mr. Meany: "Self-interest is a compelling force but it cannot justify an alliance which, in effect, dignifies and promotes the maintenance of a union leadership marked by a betrayal of trust." This he said in reply to an editorial originally published in the Chicago Federation of Labor's *Federation News*, and reprinted in *The Teamster*. The editorial had declared:

> "Anyone will agree that the relationships involved in joint collective bargaining and organizing are much closer than the ties between an international union and the AFL-CIO. Regardless of what the AFL-CIO voted at its convention, unions are finding that it is essential to the people on the job to work with the Teamsters."

The AFL-CIO executive council policy is expected to affect a number of agreements that have been made between the Teamsters and various AFL-CIO affiliates. Among these are an "organizing assistance" pact with the Office Employees International Union and mutual-aid agreements with the Meat Cutters, Upholsterers, Flight Engineers, Carpenters, Operating Engineers, and the Hod Carriers.

Recent issues of *The Teamster* have also reported that the Brewery Workers and the Teamsters had been meeting to try to find a solution to what the Teamsters call an "age-old feud." And a Teamster-Machinist joint organizing committee was reported to have made plans to organize 750,000 nonunion workers in garages, filling stations and the rest of the automotive field.

The AFL-CIO executive board's policy concerning Teamster alliances is also expected to affect the membership of the National Maritime Union in the recently formed Conference on Transportation Unity. This conference, according to *The Teamster*, was designed to provide a common meeting ground for the discussion of problems affecting the entire transportation industry. In addition to the National Maritime Union, the initial members were the Teamsters and the independent International Longshoremen's Association. Now, however, says the *AFL-CIO News*, Mr. Meany has announced that in the light of the executive council's action the NMU must withdraw from the conference.

Organizing Code Adopted by IUD

The AFL-CIO Industrial Union Department has formulated a code of ethics for use when two or more of its affiliated unions are competing to organize the same group of workers, announces the *IUD Bulletin*. In order to improve interunion relations in such situations, the code calls upon these unions to conduct themselves according to a "principle of fraternity." And to implement this aim, says the *IUD Bulletin*, the code contains six guides to action designed to bring to a halt charges made during the course of an organizing campaign. In the past such charges have not only damaged the unions immediately concerned, but the reputation of the entire labor movement.

Among the six guides to action incorporated in the new code are the following:

1. Affiliates of the Industrial Union Department shall not "impugn or attack the motives or character of any competing affiliate, its officers or its subordinate organizations."

2. No affiliate may imply that another affiliate is guilty of communistic leanings, racketeering, company unionism, racial prejudice, excessive initiation

fees or dues, unnecessary strikes, or any other "improper activities."

The new code has been approved by the IUD executive committee and is subject to final approval by the IUD executive board when it meets in the fall. If final approval is given, all sixty-nine affiliated unions of the IUD will be expected to comply with its provisions. Should complaints be made about the failure of a union to observe the organizing code, the *IUD Bulletin* reports that the matter will go to IUD Director Albert Whitehouse, thence to the IUD's literature review committee, and finally to the IUD executive committee for "appropriate enforcement."

Stormy Seas Ahead for Maritime Unions

Charges and countercharges abound in the *Seafarers Log* and *The NMU Pilot*, as the feuding between the National Maritime Union and several other seagoing unions continues. Latest cause for complaint arises from the recently announced intention of the NMU to set up an autonomous division of deck and engine-room officers. This proposal has met with the heated objections of the Marine Engineers' Beneficial Association and the Masters, Mates, and Pilots' union, as well as the Seafarers' International Union. (All the unions involved belong to the AFL-CIO.)

In announcing his intention to organize engineers into a branch of his union, NMU President Joe Curran stated that the move is designed to "restore constructive relations" between licensed and unlicensed seamen. In explanation of this, the NMU charges, in its newspaper, that in the past few years, "licensed officers have been subjected to repeated high-priced demonstrations of irresponsibility" by the Marine Engineers' and the Masters, Mates and Pilots' unions.

In retaliation for this move by the NMU, the *Seafarers Log* indicates that the Marine Engineers and the Masters, Mates and Pilots have filed charges with the AFL-CIO. These unions accuse the NMU of violating the AFL-CIO "no-raiding" agreement, and they are calling for NMU President Curran's removal from all AFL-CIO posts, including his membership on the Ethical Practices Committee.

Pay Unemployed Full Wages, Says MESA

"Full pay for availability" is the new battle cry of the Mechanics Educational Society of America, the sometimes unorthodox AFL-CIO union. The MESA has proposed that workers should receive full pay when unemployed. As stated in the *MESA Educator*, the union reasons: "Under our society, soldiers are paid even when they are not fighting wars. Firemen are paid when they are not putting out fires, policemen are paid when they are not chasing burglars. . . ."

According to the union, full pay for unemployed workers would overcome the shortage of purchasing power and thus alleviate what it calls a "false surplus" of goods. Although few details are given on the financing of such a proposal, apparently the union would up the unemployment insurance contribution to 5% in each state to provide the full-pay benefits.

AFL-CIO State Mergers Still Pending

Unification of all but two state AFL and CIO bodies is expected in the next few months, reports the *AFL-CIO News*. Merger conventions are expected to be held in six of the eight states where unity has not yet been achieved: California, Idaho, Illinois, Massachusetts, Pennsylvania and Rhode Island.[1] Only New York and New Jersey have been unable to agree on the basic principles of consolidation, according to this newspaper.

The New Jersey Labor Herald, published by the state Federation of Labor, attributes the delay in merger negotiations in that state to the inability of AFL and CIO officials to agree on the designation of officers, assignment of duties, and compensation. In New York, the *AFL-CIO News* reported earlier this year that CIO officials had accused the state AFL of "attempting a power grab."

MARIE P. DORBANDT
Division of Personnel Administration

[1] Rhode Island merger convention was scheduled for September 7.

Management Bookshelf

A Bibliography of American Labor Union History—This bibliography is subdivided into four categories of writings in the field of American labor union history: general histories, works covering specific periods in the development of unions, theories of the labor movement, and writings concerning specific industries and unions. Included among the latter are the railroad, clothing, auto, steel and transportation industries. The author has endeavored to include many different points of view, as well as different sources, such as books, articles, unpublished dissertations, Congressional Hearings, and even novels. *By Maurice F. Neufeld, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York, 1958, 64 pp., 45 cents. Single copies free to New York State residents.*

Sixteen Questions About the Selection and Training of Managers—This booklet answers some of the questions that arise in selecting and training future managers. It describes what types of persons a business should look for as potential managers, when the search should be made, and how it should be conducted. After the selection has been made, it offers advice with regard to the training of the persons selected, the facilities available for the purpose, and the problems that will be encountered. *By Lyndall F. Urwick, Urwick, Orr & Partners, Ltd., London, England, 1958, 35 pp., 2s. 6d.*

Retail Prices Decline

For the first time in twenty-six months, The Conference Board's consumer price index registered a small downturn. Here's the story

IN JULY, for the first time in twenty-six months, the retail price uptrend reversed its course, decreasing 0.1%. While the July decline of THE CONFERENCE BOARD's consumer price index was slight, it was significant in signaling the first halt in the long upward price sweep.

The July change put the all-items figure for the United States at 107.4 (1953 = 100), 2.5% above the year-ago level. The purchasing value of the consumer dollar rose 0.1 cent to 93.1 cents (1953 dollar = 100 cents); however this was still 2.3 cents below its July, 1957 value.

Over the month, food and housing costs declined 0.3% each, while apparel was off 0.1%. Transportation and sundries, on the other hand, were higher, rising 0.6% and 0.2%, respectively.

The Declines

Food prices finally turned down for the first time since October, 1957. With food accounting for about 30 cents of every dollar going for consumption expenditures, this downturn had a strongly deflating effect on the entire index. As fresh fruit and vegetable supplies reached their normal summer levels, prices fell considerably. Fresh vegetables became 6.3% cheaper and fresh fruits declined 2.1%. Continued lower prices for fats and oils and coffee resulted in a 0.3% dip in the "other food" index.

The remaining food groups all continued their upward trend. The meat, fish and poultry group moved 0.4% higher under the impact of stiffer pork prices. But beef, poultry and fish all were somewhat cheaper over the month. The cereal and bakery products index inched up 0.2%, with fractional increases scattered throughout the group. An 0.8% increase in fresh milk prices, combined with a slight upturn in the cost of dairy products, put an end to the long slide in the dairy products and eggs index.

The major factor in the decline of the housing index was a 2.7% decrease in the fuel, power and water group. Fuels were seasonally low and gas rates dropped 4.8% as summer rates were in effect in several cities. But all other groups within the housing index, with the exception of rents, also contributed to the over-all decline.

The apparel index was off fractionally as both men's and women's clothing were somewhat cheaper. The service component of the apparel index, which has been fairly stable during the past couple of months, was unchanged also in July.

The Increases

Transportation costs posted an appreciable increase as used-car prices reached a three and a half year high. This continued strength in the used-car market was in considerable contrast to the weakness that prevailed in new car prices. The latter declined for the seventh consecutive month. The July decline, however, was of a more seasonal nature. Public transportation costs were slightly higher over the month, contributing fractionally to the upward trend of the index.

Medical care, up 0.5%, provided almost the entire upward force for the sundries index. Personal care and recreation costs were unchanged over the month, while alcoholic beverages and tobacco moved somewhat lower. Only some miscellaneous items joined in the upward trend.

Year-Ago Comparisons

Compared with July, 1957, all commodity and service groups were higher. Food registered the greatest increase over the year with a 4.9% price rise. A hefty 11.5% hike in meat, fish and poultry prices along with a 6.7% rise of fruits and vegetables were largely responsible for the substantial increase in food costs. Beef, pork and pork products were the leaders in the meat, fish and poultry group rise, while winter frosts produced a scarcity of fresh fruits and vegetables which was reflected in hefty price hikes. With the exception of "other foods," the remainder of the food groups shared in the rise, although to a lesser extent. The decrease in coffee prices was the main factor in the 2.2% decline of "other foods."

Sundries and transportation showed the second and third highest increases, respectively. Higher medical and personal care charges were largely responsible for the 2.6% rise in sundries; transportation costs rose 2.0%, partly under the impact of steadily rising service costs, as evidenced by the continuous increase of railroad, bus and subway fares. Automobile transportation costs, up 1.5%, also contributed to the

upward trend. While new automobile prices have declined over the past several months, they still were on the average 1% higher than this time a year ago. Used-car prices had climbed a substantial 4.5%.

The housing index, with a relatively modest increase of 0.9%, exhibited the diverse price trends for services and goods which have become typical of the past months. The considerable increases of rent (2.0%) and other household operations (2.8%) were somewhat offset by decreases in furniture, heavy appliances and in both liquid and solid fuels.

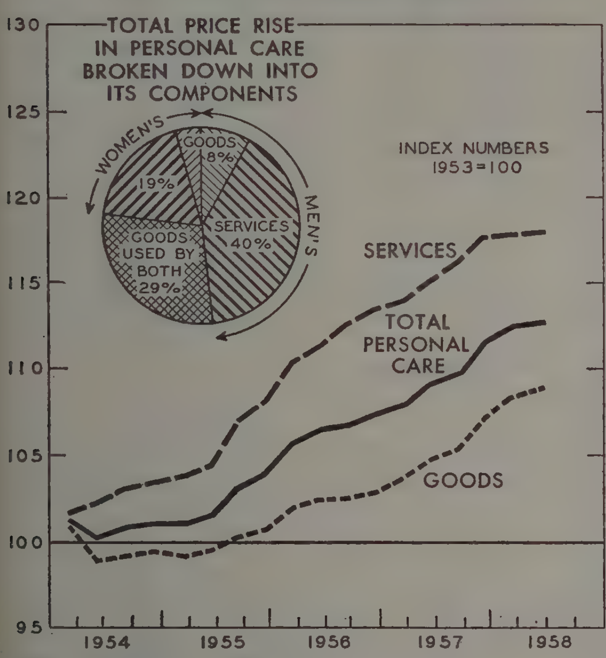
Apparel costs registered a slight increase of 0.7%. Services showed the largest increase in this group with a 1.8% rise. Men's apparel remained unchanged over a year ago as slight decreases in suits, work clothing and underwear were counterbalanced by fractional increases in coats, footwear, hosiery and accessories. On the other hand, women's apparel registered a 0.9% rise, which was primarily due to price increases in women's footwear and accessories.

PERSONAL CARE — WHAT IT IS

A look at the purchasing habits of the early Fifties shows that urban wage earner families spent about two cents out of every dollar on personal care items. At first glance this may seem to be a rather insignificant amount, but it becomes more impressive when looked at in context. At that time, average annual consumption expenditures amounted to about $4,200 per family with about $85 of this being spent for personal care. When price changes between the early Fifties and 1958 are taken into account, the amount becomes even larger. Thus, if it is assumed that urban wage earner families purchase the same quantities of personal care items today as they did five years ago, their annual outlay for these goods and services has risen to $105.

Personal care purchases fall into two major categories—goods and services. Items included in the goods division are everyday toilet articles such as toothpaste, toilet soap, etc., while the service index measures price changes for such items as barber and beauty shop operations. According to the Bureau of Labor Statistics' Study of Consumer Expenditures, conducted in 1950, more money was spent on the goods than on the services; consequently the former group accounts for three-fifths of the personal care index.

Change in Total Personal Care Index Compared to Its Service and Goods Groups



Source: THE CONFERENCE BOARD

NOTE: Not indicated on the pie—women's goods are 4%.
Total rise for the personal care index amounted to 12.8% over the five-year period. Consequently, the rise in women's services accounted for 2.4 points, men's services for 5.2 points, men's goods for 1.0, women's goods for 0.5 and goods used by both for 3.7 points of the total.

General Picture

Personal care services have shown a constant uptrend in prices since 1953, with rises accelerating since 1955. Goods, on the other hand, registered declines between 1953 and 1954. And while prices recovered some ground the following year, they still were below their 1953 level by mid-1955. Since that time, the price rise for goods has gathered steam. The index has risen steadily, with the greatest change occurring over the 1957-'58 period when prices jumped 4.0%. However, over the total '53-'58 period, prices for services (up 17.9%) still increased almost twice the 9.0% advance for goods.

Sex Enters the Picture

The goods as well as the service component of the personal care group can be separated into two major subdivisions—those of male and female consumption. Such articles as razor blades and shaving cream obviously belong in the male class, while the woman's division contains such items as cosmetics. In addition, each group includes toilet articles used by both sexes. An obvious subdivision of personal services is barber and beauty shops.

Personal goods for men have shown an uninterrupted increase in prices since 1953. In contrast, female personal commodities registered a 1.7% decrease between June, 1953 and June, 1954 but increased fractionally during the following year. By June, 1956, women's goods were climbing at the same rate as men's, and thereafter they increased at a more rapid pace than men's goods. Nevertheless, due to the slow start of women's personal goods, the total five-year price rise (from 1953 to 1958) was 9.6%, compared with an 11.0% increase for men's goods. Both

Consumer Price Index—United States

Cities over 50,000 population

1953 = 100

	ALL ITEMS	FOOD						HOUSING				
		Total	Meat, Fish, Poultry	Cereal, Bakery Products	Dairy Products, Eggs	Fruits, Vege-tables	Other Food at Home	Total	Rent	Fuel, Power, Water		
										Total	Gas	Elec-tricity
1957 January	103.4	100.2	91.7	107.1	97.8	104.1	110.8	104.5	108.7	107.8	109.5	102.2
February	103.6	100.5	92.4	107.7	97.2	104.8	111.1	104.8	108.9	108.6	109.5	102.2
March	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May	104.1	101.1	93.9	108.9	94.7	108.7	110.2	105.4	109.5	108.5	109.5	102.3
June	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4
July	104.8	102.8	97.2	109.6	95.0	111.9	110.0	105.5	110.1	106.6	106.7	102.7
August	105.1	103.5	99.9	109.8	97.4	108.2	110.0	105.5	110.2	106.4	106.8	102.7
September	105.3	103.6	100.3	109.9	99.6	105.4	110.0	105.7	110.3	106.6	107.0	102.7
October	105.4	103.5	99.2	110.2	102.0	104.0	109.0	106.0	110.9	106.9	106.9	102.7
November	105.9	103.5	97.9	110.6	103.4	104.9	108.7	106.1	111.0	107.3	108.4	102.7
December	106.0	103.6	97.8	110.7	103.4	105.3	108.4	106.3	111.1	107.4	108.4	102.7
1957 Annual Average	104.6	102.1	96.0	109.2	98.0	106.5	110.0	105.5	109.9	107.7	108.4	102.5
1958 January	106.3	104.5	99.3	110.9	102.5	108.7	108.5	106.8	111.4	110.1	113.6	103.1
February	106.6	105.4	101.8	111.1	100.9	111.8	108.6	106.9	111.6	110.0	113.7	103.3
March	106.8	106.4	103.5	111.2	100.9	115.4	108.5	106.8	111.6	110.2	114.2	103.3
April	107.2	107.6	105.9	111.4	99.8	120.2	108.2	106.8	111.9	109.8	114.5	103.3
May	107.3	107.8	106.6	111.7	98.4	122.5	108.0	106.8	112.0	109.3	114.9	103.3
June	107.5	108.1	108.0	111.5	97.8	122.7	107.9	106.8	112.0	109.5	115.1	104.0
July	107.4	107.8	108.4	111.7	98.2	119.4	107.6	106.5	112.3	106.5	109.6	104.1

	HOUSING (continued)		APPAREL			TRANS-POR-TATION	SUNDRIES	PUR-CHASING VALUE OF DOLLAR	REBASED INDEXES		
	Furnish-ings, Equipment	Other Household Operations	Total	Men's Apparel	Women's Apparel				All items (January 1939=100)	Purchasing Value of January, 1939 Dollar	All items (1947-49 =100)
1957 January	99.8	104.5	100.8	102.3	98.2	107.8	105.5	96.7	187.8	53.3	117.7
February	100.0	104.8	100.9	102.3	98.4	107.7	105.8	96.5	188.2	53.1	117.9
March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9
July	100.4	105.9	101.2	102.6	98.4	107.6	107.2	95.4	190.3	52.6	119.2
August	100.3	106.4	101.5	102.7	98.7	107.6	107.7	95.1	190.9	52.4	119.6
September	100.8	106.6	101.8	102.8	99.3	107.6	108.0	95.0	191.2	52.3	119.9
October	101.0	107.1	102.0	102.9	99.5	107.4	108.3	94.9	191.4	52.2	120.0
November	101.0	107.3	102.0	103.0	99.5	110.3	108.6	94.5	192.2	52.0	120.5
December	101.0	107.8	102.0	103.0	99.5	110.2	108.9	94.4	192.4	52.0	120.6
1957 Annual Average	100.5	106.0	101.4	102.6	98.8	108.0	107.1	95.6	190.0	52.6	119.1
1958 January	101.0	108.1	102.0	102.9	99.5	109.6	109.1	94.0	193.1	51.8	121.0
February	101.0	108.4	102.0	102.7	99.5	108.8	109.3	93.8	193.5	51.7	121.3
March	100.7	108.6	102.0	102.6	99.6	108.5	109.4	93.6	194.0	51.5	121.6
April	100.5	108.8	102.2	102.9	99.6	108.5	109.6	93.2	194.8	51.3	122.0
May	100.3	109.0	102.0	102.8	99.4	108.8	109.7	93.2	194.9	51.3	122.2
June	100.3	109.1	102.0	102.8	99.4	109.1	109.8	93.0	195.2	51.2	122.3
July	100.0	108.9	101.9	102.6	99.3	109.8	110.0	93.1	195.0	51.3	122.2

Consumer Price Index—United States

Annual Averages 1914-1957[a]

1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5	1957	104.6	95.6

a Indexes from 1914 through 1919 are for the month of July only and are not annual averages.

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do NOT show intercity differences in price level or standards of living.

Cities Surveyed Monthly

	1953=100			Percentage Changes			1953=100			Percentage Changes	
	July 1958	June 1958	July 1957	June 1958 to July 1958	July 1957 to July 1958		July 1958	June 1958	July 1957	June 1958 to July 1958	July 1957 to July 1958
Chicago						**Los Angeles**					
All Items	109.7	109.8	107.5	−0.1	+2.0	All Items	107.2	107.6	104.7	−0.4	+2.4
Food	108.4	109.4	104.5	−0.9	+3.7	Food	107.3	107.8	102.6	−0.5	+4.6
Housing	111.2	111.1	110.6	+0.1	+0.5	Housing	104.6	106.9	104.1	−2.2	+0.5
Apparel	102.4	102.4	101.4	0	+1.0	Apparel	103.0	102.9	101.4	+0.1	+1.6
Transportation	113.3	112.1	109.7	+1.1	+3.3	Transportation	110.3	107.1	107.7	+3.0	+2.4
Sundries	111.1	111.2	109.3	−0.1	+1.6	Sundries	110.5	111.3	108.1	−0.7	+2.2
Houston						**New York**					
All Items	107.7	107.6	104.8	+0.1	+2.8	All Items	107.8	107.8	105.1	0	+2.6
Food	107.8	107.1	102.8	+0.7	+4.9	Food	109.8	109.7	103.9	+0.1	+5.7
Housing	106.6	106.7	105.3	−0.1	+1.2	Housing	106.4	106.6	105.2	−0.2	+1.1
Apparel	103.4	103.7	102.8	−0.3	+0.6	Apparel	99.7	99.9	99.7	−0.2	0
Transportation	110.8	110.6	107.7	+0.2	+2.9	Transportation	117.7	117.5	116.4	+0.2	+1.1
Sundries	109.6	109.6	105.9	0	+3.5	Sundries	107.5	107.3	105.6	+0.2	+1.8

Cities Surveyed Quarterly

	1953=100			Percentage Changes			1953=100			Percentage Changes	
	July 1958	Apr. 1958	July 1957	Apr. 1958 to July 1958	July 1957 to July 1958		July 1958	Apr. 1958	July 1957	Apr. 1958 to July 1958	July 1957 to July 1958
Birmingham						**Newark-N. E. N. J.**					
All Items	106.5	105.9	103.2	+0.6	+3.2	All Items	106.8	106.9	104.1	−0.1	+2.6
Food	106.8	106.7	100.8	+0.1	+6.0	Food	107.5	109.1	103.5	−1.5	+3.9
Housing	103.0	103.1	102.9	−0.1	+0.1	Housing	108.1	107.4	104.7	+0.7	+3.2
Apparel	103.6	103.2	101.8	+0.4	+1.8	Apparel	100.8	101.3	100.2	−0.5	+0.6
Transportation	104.4	102.9	98.0	+1.5	+6.5	Transportation	105.5	104.8	104.2	+0.7	+1.2
Sundries	115.3	113.4	112.2	+1.7	+2.8	Sundries	108.0	107.3	106.3	+0.7	+1.6
Bridgeport						**New Orleans**					
All Items	107.0	106.7	104.6	+0.3	+2.3	All Items	107.0	107.3	105.2	−0.3	+1.7
Food	107.2	107.3	102.3	−0.1	+4.8	Food	109.5	110.9	106.1	−1.3	+3.2
Housing	105.9	105.4	104.8	+0.5	+1.0	Housing	106.0	106.0	105.2	0	+0.8
Apparel	100.4	100.5	101.3	−0.1	−0.9	Apparel	101.9	102.4	101.0	−0.5	+0.9
Transportation	112.1	111.1	108.2	+0.9	+3.6	Transportation	104.6	103.2	103.5	+1.4	+1.1
Sundries	109.0	108.7	107.8	+0.3	+1.1	Sundries	108.8	108.8	107.6	0	+1.1
Cincinnati						**Philadelphia**					
All Items	108.3	107.6	105.7	+0.7	+2.5	All Items	106.0	106.3	104.1	−0.3	+1.8
Food	106.7	106.4	102.4	+0.3	+4.2	Food	105.8	106.6	102.3	−0.8	+3.4
Housing	107.6	107.8	107.0	−0.2	+0.6	Housing	105.8	106.5	105.0	−0.7	+0.8
Apparel	104.7	105.0	103.3	−0.3	+1.4	Apparel	102.3	102.8	101.3	−0.5	+1.0
Transportation	108.2	104.2	106.4	+3.8	+1.7	Transportation	108.9	108.3	106.6	+0.6	+2.2
Sundries	113.9	113.9	110.1	0	+3.5	Sundries	107.6	106.7	106.4	+0.8	+1.1
Erie						**Roanoke**					
All Items	108.6	108.2	106.0	+0.4	+2.5	All Items	104.1	103.6	102.1	+0.5	+2.0
Food	108.3	108.7	105.1	−0.4	+3.0	Food	103.2	102.1	98.5	+1.1	+4.8
Housing	107.2	107.0	106.2	+0.2	+0.9	Housing	103.7	103.9	103.3	−0.2	+0.4
Apparel	102.0	103.1	101.5	−1.1	+0.5	Apparel	100.1	99.8	99.9	+0.3	+0.2
Transportation	108.1	106.4	104.6	+1.6	+3.3	Transportation	104.0	103.3	106.3	+0.7	−2.2
Sundries	115.2	113.2	110.8	+1.8	+4.0	Sundries	108.8	108.4	103.6	+0.4	+5.0
Grand Rapids						**Seattle**					
All Items	110.1	109.8	107.1	+0.3	+2.8	All Items	107.6	107.8	105.5	−0.2	+2.0
Food	112.3	112.4	107.3	−0.1	+4.7	Food	110.5	112.5	106.4	−1.8	+3.9
Housing	107.8	107.8	105.8	0	+1.9	Housing	104.6	105.1	104.4	−0.5	+0.2
Apparel	104.9	104.9	104.1	0	+0.8	Apparel	101.6	102.1	102.4	−0.5	−0.8
Transportation	110.4	109.0	107.6	+1.3	+2.6	Transportation	106.5	105.2	102.5	+1.2	+3.9
Sundries	113.3	112.8	110.5	+0.4	+2.5	Sundries	112.4	110.9	109.8	+1.4	+2.4
Minneapolis-St. Paul						**Syracuse**					
All Items	108.5	108.1	106.0	+0.4	+2.4	All Items	106.6	106.2	104.2	+0.4	+2.3
Food	109.6	111.4	106.1	−1.6	+3.3	Food	106.1	106.9	102.2	−0.7	+3.8
Housing	108.1	107.8	106.4	+0.3	+1.6	Housing	106.7	106.7	105.5	0	+1.1
Apparel	102.3	102.2	101.8	+0.1	+0.5	Apparel	103.2	103.3	103.2	−0.1	0
Transportation	105.8	102.3	103.9	+3.4	+1.8	Transportation	108.9	107.4	105.6	+1.4	+3.1
Sundries	111.8	110.1	107.8	+1.5	+3.7	Sundries	108.0	105.5	104.7	+2.4	+3.2

categories exhibited their greatest price strength during the June '57-'58 span.

The picture is slightly changed when personal services are split into the male and female groups. Male services increased 25.4%, more than twice the 10.9% rise in prices of services for women. One possible factor in the quite substantial barber shop price increase may be the considerable wage hikes granted during the period.

In contrast to men's personal services in general, women's services, although no longer considered the luxury they were in the Thirties, may not be considered to be in the necessity class, and basic expenditures for them can be budgeted by the individual according to frequency of use.

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Division of Consumer Economics

Management Bookshelf

Parkinson's Law and Other Studies in Administration—Written with tongue-in-cheek gravity, this blend of fact, fiction and fun aims at laying bare the apparent perversities of corporate behavior. Parkinson's law is concerned with the pyramiding of personnel without any accompanying gain in productivity.

The inspiration for the law came when Professor Parkinson observed a little old lady consume a whole day writing and dispatching a postcard to her niece. He decided to "test" how far this human tendency to stretch out work extends, and he discovered that, even in hard-boiled industry, work (especially paperwork) can be so elastic in its demands on time that there need be little or no relationship between the amount of work to be done and the size of the staff doing it. "Wide-scale surveys" revealed that the number of subordinates in any organization multiplies at a rate ranging from 5.17% to 6.56% a year, even in cases where the amount of work turned out by the growing staff actually *decreases*.

This "stunning discovery" quickly led to the development of other equally shattering corporate principles. He found, for example, that the retirement of an executive is determined not by the age he has reached but by the readiness of his successor; that the time which finance committees spend on any item on the agenda "will be in inverse proportion to the sum involved"; that personnel departments invariably begin their recruitment campaigns by rejecting "everyone over fifty or under twenty plus everyone called Murphy." *By Professor C. Northcote Parkinson, Houghton Mifflin Co., Boston, Massachusetts, 1957, 113 pp., $3.*

The Politics of German Codetermination: Mitbestimmungsrecht—According to the author, codetermination has been the subject of a vast amount of literature. German authors, however, have almost never been able to approach the subject from an unbiased point of view, because of its controversial nature. Non-Germans, on the other hand, have usually analyzed the German experience in codetermination from an economic point of view. Consequently, almost no work has been done in analyzing the political implications of codetermination. This volume attempts to fill in part of this gap. The author describes the history and ideology of codetermination, as well as the laws creating it and governing its operation. For the most part, the author is interested in codetermination in the steel and mining industries, and he provides four case studies of individual companies in these fields. *By Herbert J. Spiro, Harvard University Press, Cambridge, Massachusetts, 1958, 180 pp., $4.*

Industrial Psychology (Revised)—The author of this book states: "Industrial psychology provides theory and research methods to personnel management, which is the heart of all management." If these two contributions were all, company executives might feel this volume was not for them, but the writing shows how psychological information and service have helped solve business problems.

A wide range of topics is covered, including personnel selection, testing, training, motivation, morale, accident prevention, and supervision. This is a revision of the original edition published in 1949. A work book has been prepared to accompany the text and to provide opportunity to apply theory to practical company situations. *By T. W. Harrell, Rinehart & Company, New York, New York, 1958, 398 pp., $6.*

Improving Managerial Performance—The author, a consultant on management problems, begins by presenting a philosophy of management personnel development, with the line-staff concept threaded in. Next, he offers a system for appraising, reviewing and interviewing management people. Finally, he goes over the development tools available for use in improving managerial performance. *By Virgil K. Rowland, Harper & Brothers, New York, New York, 1958, 167 pp., $3.50.*

The Place of the Foreman in Management—This book reports seven case studies of foremen and other supervisors in the setting of the British firms for which they worked. It describes the foremen's day-to-day responsibilities, their relations with managers and others, and the way they themselves regard their positions in their firms. Details are also given to the various changes in these positions over the years, the problems the changes brought, and the implications they had for both the foremen and the managers. Conducted by England's National Institute of Industrial Psychology with funds derived from United States economic aid, these studies would seem to offer practical guidance in the formulation of policies for selecting and training future foremen. *Published by Staples Press, Ltd., London, England, 1957, 143 pp., 15 s.*

Executive Retirement

(Continued from page 297)

the commitment is in terms of dollar contributions, not in terms of a fixed level of benefits. At retirement an employee would receive an annuity, the amount of which depends on how much can be bought with the following:

- Company profit-sharing contributions of 6% of net profits before federal taxes;
- Employee contributions of 3% of salary;
- Company contributions, regardless of profits, to provide a benefit equal to one-half that provided by employee contributions;
- Company contributions, regardless of profits, equal to 1.5% of compensation earned by the employee prior to the establishment of the plan.

If an employee dies before retirement his beneficiaries receive his contributions and the company profit-sharing contributions as well. The same is true if he leaves for any other reason except death or retirement. However, if the employee leaves involuntarily, the company adds an amount equal to one-half the employee's contributions. And the company guarantees that this involuntary severance award will total at least 4% of the employee's salary (at the time of severance) for each year of service. If an employee becomes totally, permanently disabled after ten years of service, there is a special disability retirement allowance calculated in much the same way as the retirement allowance.

THE SIZE OF EXECUTIVE PENSIONS

What range of retirement benefits are provided executives among the pilot study companies? No exact answer can be given, of course, except by analysis of the actual retirement income of executives who have retired over some span of years. Only in this way can all the circumstances which have an impact on each executive's retirement income be given weight: the differences in length of service and the earnings' pattern of each executive; the differences in the way retirement plans have developed in each company; the impact of supplementary retirement income devices.

However, an adequate comparison of the plans can be made by applying standard assumptions to each company's retirement plan. This has been done for thirty-four pension plans.[1] The results are shown in Tables 2 and 3 for executives at five earnings' levels. Only the retirement benefit received *directly* from the company is shown; all values are *exclusive* of Social Security. Where the pension formula called for deduction of OASI payments, it was assumed that the executive was eligible for the maximum of $108.50 per month. In calculating the pension benefit, the future-service benefit formula was used for all thirty years of service; the smaller past-service benefit formula was ignored.

The results are shown separately for those plans that use the average salary earned by the executive over the entire thirty-year career in the company and those that base the pension on average earnings during the last five or ten years just before retirement. Although the same salary levels are used in calculating benefits under the "career-average" and "final-average" plans, the pension incomes are by no means interchangeable. Obviously, an executive with thirty years' service who averages $15,000 per year during his entire career usually would average appreciably more than this during the last ten years of that career. Thus, his counterpart under a final-average plan is not the $15,000 per year executive but an executive earning something more. For example, in the plans studied here the median benefit for an executive with a *career average* of $15,000 is about $6,600. This is about what the median benefit would be among the final-average plans for an executive with an average of $20,000 during his last ten years.

Career-Average Plans

For the executive who, during thirty years of service, averages $15,000, $50,000 or $100,000 per year, the median benefit provided by these twenty-one plans is about 44% of his career-average earnings. Forty-eight per cent is paid to executives with a thirty-year average of $25,000 or $35,000 per year (Table 2).[1]

The range of benefits provided by the plans at each salary level is quite large, from a top of 60% of average salary to a low of about 25% (although four plans pay less than this at the $100,000 level).

The six noncontributory plans generally provide lower benefits than the fifteen contributory plans. For example, at the $15,000 level, all of the noncontributory plans (ranging from benefits of $6,120 to $4,500) fall well below the $7,900 median of the contributory plans.[2] And both plans with a supplementary profit-sharing formula fall below the median of all the plans.

The career-average plan formulas fall into four patterns based on the relative size of benefits at each salary level:

[1] Excluded are one variable annuity plan and three plans for which available data are inadequate.

[1] The smaller percentage at the $15,000 level probably is due to the greater impact here of the smaller percentages applied to that part of salary covered by OASI. The smaller percentage at the $50,000 and $100,000 level is due to the sharp drop in benefits because of imposed maximums.

[2] This difference in the size of benefits under contributory and noncontributory plans is also found in an analysis of 327 plans for employees. See "The Size of Pensions," *Management Record*, February, 1956, p. 48.

- Eleven plans provide an increasing per cent of salary as the salary level increases. The per cent of the $100,000 salary which is provided is anywhere from 3% to 9% higher than the per cent of the $15,000 salary benefit.
- Four plans give an identical per cent of pay at every salary level.
- One plan provides a decreasing per cent of salary as the salary level increases. The benefit is 52% at the $15,000 level but only 47% at the $100,000 level.
- The other five plans provide an increasing per cent of salary as the salary level increases from $15,000 to $25,000 to $35,000. But in these five plans a maximum benefit impinges at the $50,000 and $100,000 salary levels. For example, the benefit at the $35,000 level is 34%, but only 24% of $50,000 and only 12% of $100,000 is given.

Among the five plans that set a maximum on the benefits which will be provided, two will pay no more than $20,000 per year to an executive, and one, no more than $25,000. Another company does not consider any part of salary over $30,000 in the pension calculation, and one company sets both a top limit of $20,000 on the pension and uses no part of salary over $35,600 in the calculation.[1]

Final-Average Plans

For the executive with thirty years' service whose salary in the final five or ten years before retirement averages $15,000, the median pension is 32% of that salary. The median pension at the $25,000 level is 35%; and it is 36% at the $35,000 and $50,000 level. The median drops to 30% at the $100,000 salary. (See Table 3.)

The benefits provided at each salary level range from 50% of the final average salary to a low of 14%.

Again, the noncontributory plans tend to provide

[1] Although it has no effect on calculations shown on the table, one company does not count service after thirty years in the pension calculation.

Table 2: Annual Pension (exclusive of OASI) for Executives in Twenty-One "Career-Average" Plans

Benefit Formula	Annual pension[1]—assuming 30 years' service with average annual earnings for the period of: $15,000	$25,000	$35,000	$50,000	$100,000
% of salary per year of service					
2%	$9,000	$15,000	$21,000	$30,000	$60,000
1¼% of $4,200 + 2% of excess	8,055	14,055	20,055	29,055	59,055
1¼% of $4,200 + 2% of excess	8,055	14,055	20,055	29,055	59,055
Formula not given	7,920	14,040	19,080	28,920	58,920
Formula not given	7,740	12,990	17,490	24,240	46,740
1% of $4,200 + 2% of excess	7,740	13,740	19,740	28,740	58,740
1% of $3,600 + 2% of $3,600-$10,000 + 1¾% of $10,000-$30,000	7,645	12,895	20,770*	20,770*	20,770*
1%[a]	6,900	11,900	16,900	24,400	49,400
¾% of $600-$3,000 + 1¾% of excess	6,840	11,890	17,404	20,000*	20,000*
1% + .8% over $3,600 − ½ OASI[c]	6,585	11,985	17,085	25,985	46,985
1% of $4,200 + 1½% of excess	*6,120p*	*10,620p*	*15,120p*	*21,870p*	*25,000*p*
1½% − ½ OASI[c]	*6,099*	*10,599*	*15,099*	*21,849*	*44,349*
¾% of $3,000 + 1½% of excess	6,075	10,575	15,075	20,000*	20,000*
¾% of $1,800-$4,200 + 1½% over $4,200	5,400	9,900	14,400	21,150	43,650
1⅛%	*5,063*	*8,438*	*11,813*	*16,876*	*33,752*
¼% over $3,000 + $810[b]	*4,710*	*7,960*	*11,210*	*16,085*	*32,335*
.7% of $4,200 + 1.4% of excess	*4,624*	*8,824*	*13,024*	*19,324*	*40,324*
1%	*4,500*	*7,500*	*10,500*	*15,000*	*30,000*
½% of $4,200 + 1% of excess	3,870p	6,870p	9,870p	14,370p	29,370p
Other					
⅓ of total employee contributions + $24 per year, for each year of service	7,560	13,560	19,560	28,560	58,560
20% of $3,000 + 35% of $3,000-$35,600	4,800	8,300	11,800	12,000*	12,000*
MEDIAN BENEFIT	6,585	11,890	16,900	21,849	43,650

* The maximum for any salary level.
[a] Plus a lump sum of 20% of age 60 salary over $3,000.
[b] Plus a lump sum of 25% of salary over $3,000.
[c] Maximum OASI benefit ($108.50 per month) used in calculation.
[1] Noncontributory benefits are in italics.
p Plus deferred profit-sharing benefits.

Table 3: Annual Pension (exclusive of OASI) for Executives in Thirteen "Final-Average" Plans

Benefit Formula for Each Year of Service	Annual pension[1]:—assuming 30 years' serv ice and average annual earnings in final years of: \$15,000	\$25,000	\$35,000	\$50,000	\$100,000
Last 10 years' salary average					
7/8% of \$4,200 + 1¾% of excess	\$6,529	\$12,022	\$17,272	\$25,147	\$51,397
¾% of \$4,200 + 1% of excess[a]	6,435	10,935	15,435	22,185	35,000*
1% of \$4,200 + 1½% of excess	_6,120_	_10,620_	_15,120_	_21,870_	_25,000_
2% (max. of 20 years' service)	6,000	10,000	14,000	20,000	30,000*
1½% over \$4,200 + \$21	_5,490_	_9,990_	_14,390_	_21,240_	_40,000_*
1%	_4,500_	_7,500_	_10,500_	_15,000_	_30,000_
1.1% x 1.04 − ½ OASI[b]	_4,497p_	_6,889p_	_11,361p_	_16,509p_	_33,669p_
.72% of \$4,200 + 1½% of excess (for service up to 25 years) + 1% of excess (for service over 25 years)	4,282	7,507	10,532	15,219	30,844
1% − ½ OASI	_3,849_	_6,849_	_9,849_	_14,849_	_29,849_
2% over \$7,500 + \$12	_2,160p_	_4,680p_	_7,200p_	_9,180p_	_21,780p_
Last 5 years' salary average					
¾% + ½% over \$3,600	_5,085_	_8,835_	_12,585_	_18,210_	_36,960_
1½%, \$600-\$3,000 + 2% excess (max. of 20 years' service)	4,788	9,788	14,788	22,788	40,000*
Age 55-60 average salary					
Formula not given	3,000p	5,500p	7,500p	12,000p	24,000p
MEDIAN BENEFIT	4,788	8,835	12,585	18,210	30,000

* The maximum for any salary level.
[a] Plus a lump sum of 20% of employee contributions.
[b] Maximum OASI benefit (\$108.50 per month) used in calculation.
[1] Noncontributory benefits are in italics.
p Plus deferred profit-sharing benefits.

smaller benefits than contributory plans, although the number of plans is too small for any real test. The three plans with supplementary profit sharing are three of the four plans with the smallest benefits.

As in the career-average plans, the relative size of benefits at each salary level falls into four patterns in the thirteen final-average plans.

- Five plans provide an increasing per cent of salary as the salary level increases. The per cent of the \$100,000 salary which is provided is between 3% and 8% higher than the per cent of the \$15,000 salary benefit.
- Two plans give an identical per cent of pay at every salary level.
- One plan provides a decreasing per cent of salary as salary increases. The benefit is 30% at the \$15,000 level but only 26% at the \$100,000 level.
- The other five plans provide an increasing per cent of salary as the salary level increases but the benefit at \$100,000 drops sharply because of stated maximum benefits. For example, in one plan only 25% of the \$100,000 salary is given compared to 44% of the \$50,000 level.

Among the five plans with a stated maximum benefit, three will pay no more than \$40,000 per year; one sets a \$35,000 limit, and another sets \$30,000.[1]

EXECUTIVE CONTRIBUTIONS FOR RETIREMENT BENEFITS

Among the forty pilot study companies, only thirteen do not require an executive to contribute to some or all of the plans that provide him with retirement income. These thirteen companies include one with a deferred profit-sharing plan which is a substitute for a pension plan; ten companies with a pension plan as the only device for retirement benefits and two companies with both a pension plan and deferred profit-sharing plan, neither of which is contributory.

The twenty-seven companies which require executive contributions include twenty-three with a pension plan as the sole retirement plan; one with a profit-sharing plan as the only retirement plan; two with both a pension plan and profit sharing, which require contributions, and one company with a noncontributory pension plan but a contributory thrift plan.

To get some idea of the level of contributions required of executives, the contribution at five salary levels has been calculated for twenty pension plans in Table 4.[2]

The median contributions at each salary level represent 3.6% of the \$15,000 salary; 3.7% of the \$25,000 and \$35,000 salaries; 3.8% of the \$50,000, and 3.9% of the \$100,000 salary. The range of contributions required is quite large, from a low of 0.9% of salary to a high of 7.9%. The range of contributions increases with increases in the salary level. At the \$15,000 level, contributions range from 1.4% to 6.0%; but at the \$100,000 level, the range is from 0.9% to 7.9%.

In half of the plans, both contributions and benefits increase, as a per cent of salary, as the salary increases. For example, in one plan, benefits are 52% of the \$15,000 salary and 59% at the \$100,000 level; contributions are 2.9% and 3.8%, respectively.

In two plans the contribution rate drops as salary increases, and the benefit rate also falls off. In another two plans the benefit is the same percentage at all salary levels, but the contribution rate increases in one plan and decreases in the other as salary level

[1] In addition, three of these plans limit the number of years of service which can be counted in pension computations: twenty years, twenty-five years and thirty years.

[2] These twenty plans include all but two of the twenty-one contributory plans included in Tables 2 and 3. The one variable annuity plan not shown in the two tables is included. None of the contributions for deferred profit-sharing plans are included in the calculations.

increases. In five other plans, benefits at the high salaries drop off percentagewise because of maximum benefit provisions; in three of these plans the contribution rate continues to increase; in the other two the contribution rate is identical at all salary levels.

VESTED BENEFITS FOR EXECUTIVES

Aside from the actual size of the pension check and the contributions expected of an executive, probably the most important facet of retirement income plans is the vesting provision. The question of the circumstances under which an employee can leave a company before retirement and take some or all of his retirement income credits with him probably has more meaning at the executive level than among employees generally. Traditionally, voluntary movement from one company to another has been greatest among the professional and managerial group; too liberal vesting might serve merely to accent this. On the other hand, realistic vesting provisions can make the job of removing an incompetent executive that much easier, since it does not mean complete loss of retirement security. And early vesting may be useful in attracting executive caliber personnel.

Among the thirty-seven companies for which information is available, ten companies do not provide for vesting of pension plan credits (although one company has a supplementary deferred profit-sharing plan and another a thrift plan which provide for vesting). The other twenty-seven companies vest benefits provided by the basic retirement plan—a deferred profit-sharing plan in two companies and a pension plan in the other twenty-five companies.[1]

Table 4: Pension Contributions in Twenty Plans[1]

Contribution Formula	Yearly Salary $15,000	$25,000	$35,000	$50,000	$100,000
3% of $3,000; 6%, $3,000-$7,800; 7.2% excess[a]	$896	$1,616	$2,336	$3,416	$7,016
3% of $4,200 + 6% of excess	774	1,374	1,974	2,874	5,874
6% of salary over $3,600	684	1,284	1,884	2,784	5,784
2¼% of $600-$3,000 + 5¼% of excess	684	1,199	1,734	2,521	5,149
3% of $4,200 + 5% of excess	666	1,166	1,666	2,416	4,916
No formula given	645	1,445	2,445	2,505	2,505
No formula given	645	895	895	895	895
4%	600	1,000	1,400	2,000	4,000
5% of salary over $4,200	540	1,040	1,540	2,290	4,790
2½% of $600-$3,000 + 4% of excess	*540*	*940*	*1,340*	*1,940*	*3,940*
2% of $3,000 + 4% of excess	540	940	1,340	1,940	3,940
4% of salary over $3,000	480	880	1,280	1,880	3,880
4% of salary over $3,600	456	856	1,256	1,856	3,856
4% of salary over $4,200[a]	432	832	1,232	1,832	3,832
1½% of $4,200 + 3% of excess[b]	387	687	987	1,437	2,937
2½%	*375*	*625*	*875*	*1,250*	*2,500*
No formula given[c]	*372*	*696*	*936*	*1,488*	*2,988*
3% of $3,000-$43,000	*360*	*660*	*960*	*1,200*	*1,200*
3% of salary over $3,600	342	642	942	1,392	2,892
No formula given	216	412	612	916	1,916
MEDIAN CONTRIBUTION	540	926	1,310	1,910	3,868

1 Final average plans are in italics.
a Variable annuity plan.
b Plus 1%, 2%, 3% or 4% of salary for deferred profit sharing.
c Plus 2% of salary for deferred profit sharing.

Two Basic Conditions

In other words, twenty-five of the thirty-five pension plans provide that an executive who leaves the company prior to retirement will get all or part of the *company* contributions to the pension plan—usually in the form of a pension check beginning at age sixty-five.[2] However, two basic conditions must be met. If the pension plan is contributory, the executive must leave his own money in the plan; if not, no company contributions will be vested. Secondly, both contributory and noncontributory plans require that specified age and/or service requirements be met before vested benefits are provided.

Ten of the pension plans have only a service requirement. All of the company contributions are vested in an executive who leaves the company after five, ten, fifteen, twenty or twenty-five years' service; each one of these service requirements is found in two plans.

Another eight plans use a combination of age and service to determine eligibility for vested benefits. Two plans vest all company contributions when an employee reaches age forty—if he has ten years of service in one plan and fifteen years of service in the other. Two plans specify age forty-five, again with ten years of service in one plan and fifteen years in the other. The other four plans vest at age fifty; two plans require ten years of service; one, fifteen years, and another, twenty years.

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1 Three of these pension plans also are supplemented with deferred profit-sharing plans which have vesting provisions.

2 Early retirement pensions, disability pensions and preretirement death benefits are vested benefits if vesting is used in the broadest sense. However, vesting is used commonly to mean only the rights to company contributions if the employee leaves the company voluntarily or is discharged. For a more detailed discussion of vesting, see "Vested Pension Benefits," *Management Record*, October 1955, p. 386. Early retirement, disability and death benefits in the pension plans will be described in subsequent articles about death and disability benefits.

The other six plans vest all company contributions under the following conditions:[1]

- Age forty and twenty years of service *or* fifteen years in the plan
- Age fifty-five and fifteen years of service *or* age sixty
- Age fifty-five *or* twenty years of service
- Twenty-five years of service *or* age forty-five and fifteen years of service *or* age fifty and ten years' service
- Ten years after the month in which the person reaches age fifty and has ten years of service (two companies).

These different requirements for full vesting can be made more meaningful by applying each of them to a hypothetical executive trainee who enters the pension plan at age thirty. He could leave the company with fully vested benefits any time after age forty-five in seven companies, or age fifty in another seven. However, full vesting would occur at age thirty-five in two plans and at forty in another three. At the other extreme, he would have to wait until age fifty-five in three plans and age sixty in two others before benefits would be fully vested.

Usually, all vested rights are withheld until the age and service requirements are met; at that time, the total accrued pension credits are vested as a unit and further credits are vested as they accrue. However, eight plans provide for "graduated" vesting; under these plans, the amount vested increases at set intervals until all accrued credits are vested; further credits are vested immediately. The vesting procedure in these eight pension plans is as follows:

- After five years' service, 25% is vested. Another 5% is vested each year thereafter. Full vesting is at twenty years.
- After five years' service, 25% is vested. Another 25% is vested after ten years and fifteen years. Full vesting is at twenty years.
- After ten years' service, 50% is vested. Another 10% is vested each year thereafter. Full vesting is at fifteen years.
- After ten years' service, 50% is vested. Another 25% is vested after fifteen years. Full vesting is at twenty years.
- After ten years' service, 20% is vested. Another 5% is vested each year thereafter. Full vesting is at twenty-five years.
- At age fifty and ten years' service, 50% is vested. Another 10% is vested for each year thereafter (two companies).
- At age forty-five and ten years' service or after fifteen years' service, 50% is vested. Another 10% is vested for each year thereafter.

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[1] No information available for one plan.

Management Bookshelf

The Taft-Hartley Act: A Supervisor's Guide—This volume is a brief explanation of the provisions of the Taft-Hartley Act and their application to supervisory activities. Included are definitions of terms, rights granted to unions and employers by the law, and the duties and responsibilities of parties to collective bargaining. The author briefly outlines the status of supervisors under the act, and presents "some points to remember" and "some things to avoid." *By Waldo E. Fisher, Bulletin No. 28, Industrial Relations Section, California Institute of Technology, Pasadena, California, 1958, 23 pp., $1.*

Nursing Supervision in Industry—This report is based on a study undertaken: (1) to learn what nursing supervision in industry consists of; (2) to develop a guide for comparing and evaluating industrial nursing supervisory programs; (3) to provide factual data regarding values, problems, scope, and need for industrial nursing supervision; (4) to emphasize the need for industrial nursing supervision and provide for increased service to employee and employer. Current practices on three levels of supervision are described. These supervisory levels include the consultant-director of nursing of a decentralized multiunit industrial organization, the director of nursing service of a centralized multiunit industrial organization, and the supervisor of nursing service of either a regional group of health service units of a large company or of one health service unit with a large staff of nurses. *By Edna May Klutas, National League for Nursing, Inc., 2 Park Avenue, New York 16, New York, 1958, 65 pp., $1.*

Modular Management and Human Leadership—This book is described by the publisher as "a practical manual for foremen and supervisors on how to help workers work." It offers techniques for interviewing and counseling, work methods analysis, scientific problem solving, and conference leading. Featured are discussions on how to give "psychological pay" as well as a scale by which the foreman or supervisor may grade himself to "see how he talks both to and with workers as he leads them." *By Frank Pieper, Methods Press, Box 4090 University Station, Minneapolis 14, Minnesota, 1958, 288 pp., $6.50.*

Labor Union Theories in America—This book examines the major theories of American unionism. The author classifies each school of thought into one of five theoretical groupings: unionism as a moral institution, as a revolutionary institution, as a psychological reaction, as a welfare institution, and as a social movement. After examining each grouping, the author then compares them, and he concludes that irreconcilable differences exist between them. He finds two theories—unionism as a social movement and unionism as a welfare institution—"most useful" today. *By Mark Perlman, Row, Peterson and Company, Evanston, Illinois, 1958, 313 pp., $6.*

Trends in Pay Structures

(Continued from page 293)

say they stopped short of the principal officers. The remaining fourteen report dollar cut-off points ranging from $7,500 to $50,000 in annual salary.

In all cases, however, pay *structures* were adjusted to correlate with general increases, which means more latitude for merit increases and fewer red circle rates. Companies not extending general increases still adjusted all structures in amounts equivalent to such increases.

The chart on page 319 illustrates how wage and salary structures changed from 1956 to 1957. Percentage changes are shown, by company, for the five categories combined and for each category separately. In a majority of cases, the percentages are fairly consistent within each company. This same pattern becomes apparent when comparing the average percentage changes of each category for the twenty-five companies. The averages are as follows:

Nonexempt hourly	5.79%
Nonexempt salary	6.17%
Exempt salary nonsupervisory	5.78%
Exempt low-level supervisory	5.48%
Exempt high-level supervisory	5.34%
All categories combined	5.80%

Only companies D and O deviate substantially from these averages. And there are good reasons for this. Company D is the participant reporting it discontinued the practice of giving general increases several years ago. Instead, it "adjusts wage and salary structures as market trends indicate, and employees are brought into line with new rates on a merit basis at specified time intervals."

Company O reports a major overhaul of the lowest three nonexempt salary grades, in addition to normal changes in pay structures to reflect general increases. This accounts for the 10.3% change—double the amount of other categories. The minimums of salary grades 1, 2 and 3 are increased 20%, 9.5% and 1.3% respectively, and the maximums of grades 1 and 2 are increased 18.7% and 8.7% respectively. The company says, "this was done to bring payments for low-level salary employees more closely in line with wages earned by their hourly counterparts." The company has no union, so, of course, the action was taken unilaterally.

The practice is not exactly new. Other companies without white collar unions have taken similar action. The objective is to raise minimum starting rates of

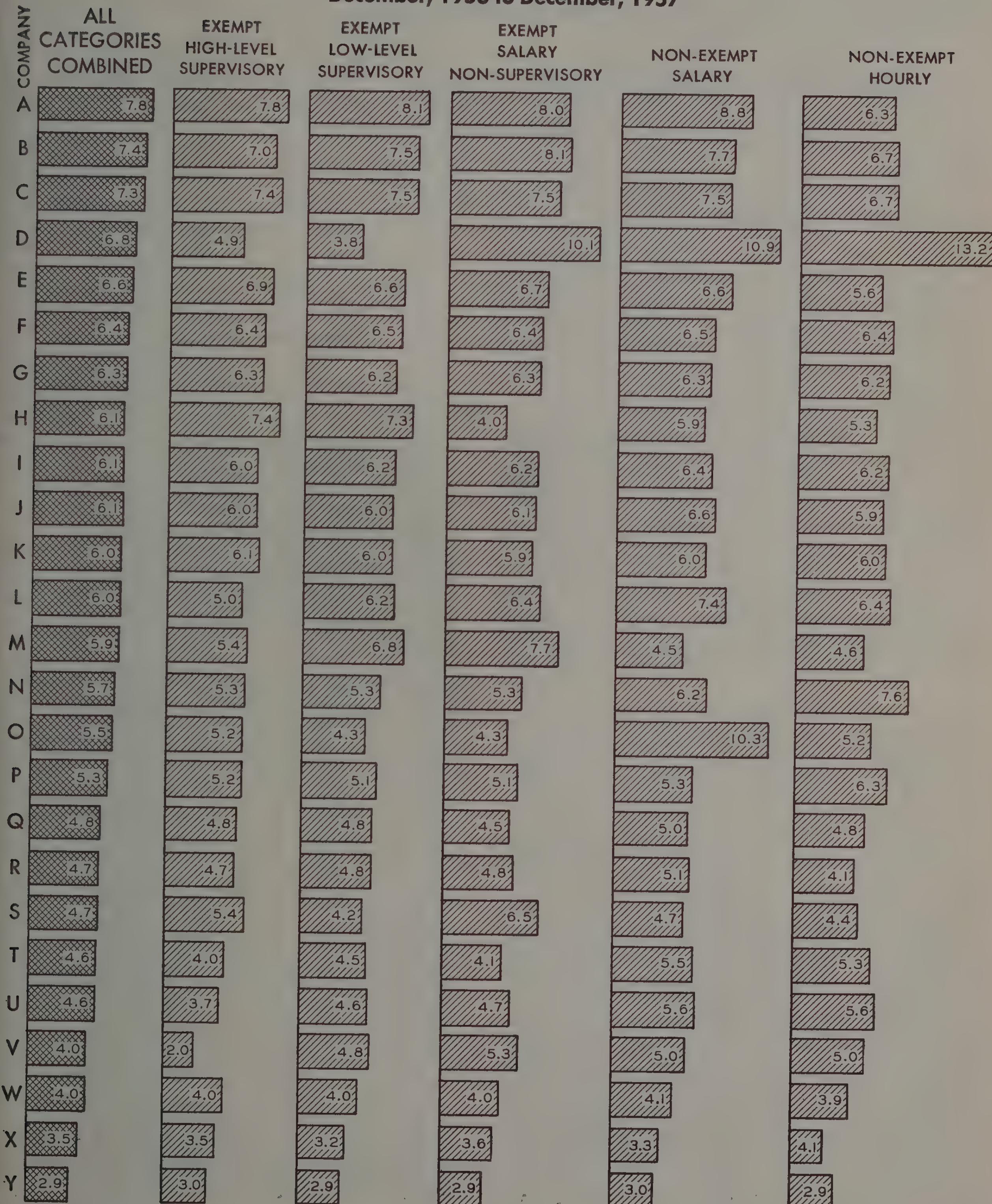
Percentage Change in Wage and Salary Structures

December, 1950 to December, 1957
December, 1945 to December, 1957

Company	All Categories Combined		Exempt High-Level Supervisory		Exempt Low-Level Supervisory		Exempt Salary Nonsupervisory		Nonexempt Salary		Nonexempt Hourly	
	1950 1957	1945 1957	1950 1957	1945 1957	1950 1957	1945 1957	1950 1957	1945 1957	1950 1957	1945 1957	1950 1957	1945 1957
B.	65.4	126.7	68.0	128.2	62.5	131.9	71.3	128.5	74.7	137.8	51.6	110.4
P.	55.9	118.6	62.7	119.5	49.4	117.2	66.0	133.1	48.4	111.8	42.0	100.8
A.	52.5	na	53.0	na	55.7	na	54.2	na	57.8	na	39.4	na
E.	51.3	120.7	55.8	135.0	53.1	108.9	50.5	113.6	38.3	96.9	50.9	147.7
L.	50.0	125.6	48.2	120.5	49.3	122.0	49.6	122.9	58.2	140.1	48.8	136.5
C.	49.1	139.9	50.9	145.6	51.0	146.5	49.6	143.8	51.5	129.5	41.9	127.5
N.	47.6	na	59.0	na	45.0	na	35.9	na	51.7	na	36.5	na
J.	44.9	121.7	46.9	107.1	53.3	136.4	25.9	na	45.2	128.8	54.8	128.3
X.	44.0	na	42.0	na	44.9	na	45.2	na	49.2	na	39.4	na
G.	43.7	116.7	45.5	124.9	45.6	124.5	45.6	124.4	38.7	94.1	35.8	96.7
I.	43.5	na	42.1	na	43.3	na	43.7	na	46.1	na	45.0	na
H.	42.9	na	43.9	na	41.9	na	38.2	na	54.8	na	39.9	na
F.	41.9	110.8	40.3	102.1	43.2	106.3	39.9	101.3	47.0	125.2	39.5	125.9
D.	40.6	na	38.9	na	28.6	na	43.9	na	56.6	na	59.9	na
R.	40.2	90.3	39.5	86.9	38.8	84.8	39.6	87.2	51.5	100.3	35.0	100.2
S.	38.7	na	34.7	na	35.5	na	38.9	na	44.0	na	42.7	na
U.	38.0	125.2	32.8	131.4	37.4	115.1	38.9	110.1	45.7	139.5	41.9	127.8
T.	37.5	82.6	30.9	66.3	37.8	82.7	36.2	74.9	48.4	105.5	40.8	106.4
K.	37.4	na	37.2	na	37.1	na	37.4	na	39.7	na	36.0	na
O.	36.5	na	35.3	na	32.3	na	30.5	na	47.8	na	44.3	na
W.	33.7	na	32.9	na	32.7	na	32.9	na	38.2	na	34.4	na
M.	33.5	na	25.5	na	35.5	na	37.3	na	38.6	na	40.0	na
Y.	28.5	65.6	28.3	61.0	28.5	65.6	26.8	70.0	34.3	70.3	25.7	64.3
Q.	27.9	na	25.5	na	30.0	na	29.0	na	29.4	na	28.5	na
V.	25.4	98.0	10.4	52.7	39.4	129.3	30.7	129.1	36.9	141.7	35.2	151.7

na—No data available.

Percentage Change in Wage and Salary Structures
December, 1956 to December, 1957



beginning clerical jobs to equal those of factory jobs that require no previous experience.

CHANGES OVER THE LONG TERM

The 1956-1957 changes are a continuation of past practices to correlate structures with general increases whether or not they were extended to all levels of employees. Percentage changes for the two periods, 1950-1957 and 1945-1957, are shown in the table on page 318. The following average changes in the 1957 structures over both 1950 and 1945 also indicate a fair degree of consistency between categories:

Category	*1957/1950 (25 Co.'s)*	*1957/1945 (13 Co.'s)*
Nonexempt hourly	41.3%	117.2%
Nonexempt salary	46.9%	117.0%
Exempt salary nonsupervisory	41.5%	103.0%
Exempt low-level supervisory	42.1%	113.2%
Exempt high-level supervisory	41.2%	106.2%
All categories combined	42.0%	110.9%

It appears obvious that these companies can continue to keep a close watch over wage and salary structures in the years ahead by means of their unique survey. In this way, each is in a position to maintain internal equity and at the same time keep abreast of midpoint rates for high, low and medium bench-mark jobs, whether they be exempt, nonexempt, supervisory, nonsupervisory or hourly rated. And the chances are good that a majority of the supervisory, administrative and professional employees in these companies believe their pay has kept pace with the general movement of wages during the past twelve years.

MAINTAINING DIFFERENTIALS

For several years, business journals have reported on the narrowing of differentials between hourly wage rates and supervisory salary rates.[1] Three reasons are given for this shrinkage: (1) frequency of general and cost of living increases granted to production workers since 1945-1946; (2) the practice of adjusting rates of pay in terms of fixed cents per hour; and (3) extending such increases to exempt supervisors.

However, as can be seen in the chart on page 319, in these twenty-five companies there was no lessening in the differentials between the five categories for the year ending December, 1957. In almost every case, the percentage change for supervisory structures was as great or greater than the change reported for the nonexempt hourly group. This seems to be a continuation of the practice of a majority of these companies from previous years.

Furthermore, as can be seen in the table on page 318, more than half of the twenty-five companies in the survey put changes into effect during the 1950-1957 period that indicate a widening rather than a narrowing of differentials between supervisory and hourly structures.

Admittedly, not all supervisors receive salary adjustments when the companies pass out general increases to hourly rated and nonexempt salary employees. Nevertheless, salary ranges in the high-level and low-level supervisory structures are adjusted to permit merit increases that would not be possible if the differentials between the groups were not maintained.

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[1] "Equitable Salary Structures for Managers and Executives," *Management Record*, May, 1958, p. 158.

Management Bookshelf

Better Wage Incentives—Wage incentives are supposed to step up productivity. Instead, they can throw road blocks in its path if they are allowed to become a breeding ground for grievances. This can happen if the human factors in time-study incentives are overlooked, if the money rewards are not related to the measures, if the incentive method adopted is not properly explained to the employees affected. What companies throughout the country have done to guard against these dangers is explained in this book. Step by step, it shows how to build a wage-incentive program that is aimed at preventing grievances, generating enthusiasm among the employees, and producing maximum efficiency. *By Phil Carroll, McGraw-Hill Book Company, New York, New York, 1957, 230 pp., $4.75.*

Sales Compensation Manual—A Guide for Capital Goods Industries—This manual represents another major contribution of the Machinery and Allied Products Institute to help capital goods and allied equipment manufacturers and distributors in the solution of management problems. This manual is the result of a three-year study conducted by the institute's research staff as well as many business executives with long experience in designing, administering and implementing sales compensation plans. The study is unique in its coverage of the industry, clarity of presentation and format of reporting.

The report is divided into two parts. Part I outlines the scope and purpose of the study and the objectives and provisions of sales compensation plans. Methods for determining total earnings—basic salary and variable compensation—and areas of managerial control are also presented. In addition, techniques and procedures are outlined for testing sales pay plans.

Part II contains abstracts of approximately fifty sales compensation plans presently used in as many companies. Several of the abstracts define methods for handling the split commission problems common in the industry. Included in this section is a detailed analysis of the responses received from companies cooperating in this study. *Machinery and Allied Products Institute, 1218 18th Street, N. W., Washington 6, D.C., 1958, 239 pp., $15 to members, $20 to nonmembers.*

Wage and Fringe Developments in Bargaining

A general pay increase for engineers is based on higher starting rates for graduate engineers in a new contract with Boeing Airplane Company

STARTING SALARIES offered by Boeing Airplane Company to 1958 Bachelor of Science graduates are higher than those offered by the company to 1957 graduates with the same degree. The more lucrative starting rate serves as the basis for a 4.5% pay rise recently negotiated by Boeing with the Seattle Professional Engineering Association. A similar agreement was reached with the Engineering Association at Boeing's Wichita, Kansas plant.

The pay hike applies across the board. Salary for the lowest grade (nonexempt classification) is now $85 per week minimum, with $121.40 per week ($6,300 a year) as a maximum. The highest engineer classification covered by the new agreement ranges from $12,000 annually to $19,000.

The new contract also includes an additional increase fund created from company contributions of 1.5% of engineering payroll. Distribution of this fund will be made at the company's discretion, effective the same date as the blanket increase.

In addition the new contract replaces the Washington's Birthday holiday with the last working day before Christmas.

The starting-job rate as an approach to determining salary increases had been proposed by the Professional Engineering union for several years; this is the second year the proposal has been incorporated in the contract. The argument of the union in support of the starting-job rate as a determining factor in salary adjustments is based on the premise that an engineer, after working for a company a number of years, usually has family responsibilities that prevent him from being completely free to move about and sell his services to best advantage. On the other hand, the BS graduate just out of school, generally with none of these encumbrances, is free to sell his services for the best obtainable price. Hence, the union contends that the only measure of the free market value of engineering services is the salary offered the new graduate.

The one-year agreement covers a total of 7,200 nonsupervisory professional engineers at the Seattle and Wichita plants.

CBS Technicians Get Increased Severance Pay

Among the fringe benefit changes negotiated by Columbia Broadcasting System and the International Brotherhood of Electrical Workers is a liberalized severance pay provision. In all cases of layoff or dismissal, except for cause, the company will provide a severance allowance (based on the employee's current weekly salary at the time of layoff or dismissal) of up to eight weeks' pay. The eligibility requirement for eight weeks is eight years or more of service. Under the former contract, the maximum was six weeks' pay after six years or more of service.

The three-year agreement also provides a wage increase of 6% over the first eighteen months and 2.4% additional in the remaining eighteen months. The agreement is retroactive to February 1. It brings the top technicians' scale up to $185.50 per week over the first half of the contract and to $190 per week in the second half. There is no cost of living provision in the agreement.

The new contract contains a company-paid life insurance plan which replaces the former contributory plan. Vacations have been liberalized to permit a fifth week after fifteen years. Double time for work on Thanksgiving and Christmas now supersedes the previous time and one-half for work performed on these holidays.

Jurisdiction over video tape recording remains unchanged in the present contract. Technicians may accept and play tape recorded elsewhere without restriction. The settlement was reached following a twelve-day work stoppage.

UAW Contracts Add Cost of Living Bonus to Base Rates

While labor negotiations are deadlocked at major auto companies, new UAW contracts have been signed at several aircraft plants. At Douglas Aircraft and North American Aviation, two-year agreements are chalked up which provide increases in base rates of from 17 cents to 27 cents an hour.

These increases include the cost of living allowance already in effect from the previous contracts (16 cents at Douglas and 15 cents at North American), thus incorporating these increases into the new base rates. The additional increases range from 2 cents to 11 cents an hour depending on the labor grade.

A deferred increase of 3% or 7 cents (whichever is greater) becomes effective in May, 1959. Both contracts continue the cost of living allowance provision.

On the fringe side, a seventh paid holiday is included.

At North American Aviation, additional group insurance for dependents is provided at the employee's expense. This includes major medical coverage, special hospital service reimbursements up to a maximum of $240, and special emergency coverage for infants under fifteen days of age. The additional cost of dependents' group insurance to the employee electing this coverage is $2 per month.

In the Douglas agreement, health and life insurance plans for retired employees are new features. The life insurance plan (optional with the employee) provides group life insurance in reduced amounts. At the time of retirement, the insurance is reduced 10%, and each year thereafter it goes down another 10% until a minimum level of 25% of the original insurance in force at retirement is reached. The health plan provides the retired employee with a portion of his former in-service health insurance coverage. Benefits are extended to the employee's spouse.

The health and life insurance programs are financed by the retired employee from authorized deductions in his monthly pension check.

The two contracts expire in May, 1960. They cover a total of 21,000 workers at North American plants in southern California and Columbus, Ohio, and 25,000 workers at Douglas Aircraft plants in Long Beach, California; Tulsa, Oklahoma; Tucson, Arizona; and Charlotte, North Carolina.

Loose Incentive Rates Eliminated

Loose job rates permitted under a former contract at the Federal Telephone and Radio Company (division of the International Telephone and Telegraph Company) will come under scrutiny as a result of the new contract between the company and the International Union of Electrical Workers. A completely new incentive plan permits the company to restudy the incentive rates set by time study prior to December 18, 1956. Rates set since that date are considered to be in proper alignment.

The company and its employees went through a fourteen-week strike at the Clifton, New Jersey plant before the agreement was reached. The principal issue in the dispute was plant efficiency; the company maintained it had to have increased efficiency in order to meet competition and establish a firmer foundation for continued growth.

The old contract prohibited the restudy of rates, except where a change in method occurred. Even then, only that portion of the job changed by the new method could be restudied. As a result, many employees earned as much as a 150% bonus with a minimum of effort.

Under the new contract all standards and standard data which have been in use for one year or more are subject to change without a prior change in methods or jobs. The company will also have the right to create new jobs, including the right to combine existing jobs into new ones. As an economy measure, this will eliminate "standby" help formerly required because of job classification restrictions. Previously the company needed the union's okay in order to institute new or combined job classes.

Included among other cost-saving features of the new agreement is a revised "transfer" clause giving management complete freedom of work assignments within a division. Under the former contract, employees moved from one job to another on the basis of seniority

Also included is a "temporary furlough" clause permitting temporary layoffs of up to three days with no severance pay obligation. The furloughs may be made without regard to seniority. As a consequence, bumping provisions of the old contract are eliminated as well as the costly retraining programs which they entailed.

The new contract includes, in addition, a vacation clause that permits the company to shut down the entire plant for a three-week vacation period.

Cash Bonus Negotiated for Long-Service Employees

Part of the merit increase program at Northwestern Mutual Life Insurance Company in Milwaukee, Wisconsin includes a cash bonus paid as an "honorarium" to an employee who has had at least ten years of service with the company and has reached the top of his job classification. Under the new one-year agreement between the company and the Associated Unions of America, an employee is eligible for his first honorarium two years after arriving at the maximum of his salary range, providing he has ten years' service. In the former contract he was required to be at the top of his grade for three years before he could become eligible. In addition, the bonus amount has been increased to $150 from $125.

The new agreement also raises clerical rates an average of 3.7% (about 7 cents an hour). Rates for restaurant and maintenance employees are upped about 6.5 cents.

When two or more half days of work occur in a single year because of time off for elections, the company and the union will jointly consider the possibility of arranging for one whole day off instead of two half days.

Forego Sick Leave for Bigger Health and Accident Insurance

Members of the Motor Coach Employees' union of the Cleveland Transit System have given up their accumulated sick leave in exchange for larger weekly

(Text continued on page 328)

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
ricated Metal Products		
American Radiator & Standard Sanitary Corp. (Plumbing & Heating Div.) with *Potters* at Tiffin, Ohio; Kokomo, Ind.; San Pablo and Torrance, Calif.; Trenton, N. J.; and New Orleans, La. 1,700 hourly Effective 6-1-58. Contract expired New contract: 1 year	No immediate increase	Added: Vesting pension provision Revised: Normal pension benefit and disability pension
Heekin Can Co. with *IUE* at Cincinnati, Ohio. 250 hourly Effective 5-1-58. Contract expired New contract: 26 mos.	5¢ per hour general increase (2.5% average) Deferred increase: 6¢ per hour 5-1-59	Added: Vesting provision and jury duty pay Revised: Normal pension benefit, disability pension and basic medical plan
Triangle Conduit & Cable Co., Inc. with *IBEW* at New Brunswick, N. J. 850 hourly Effective 5-1-58. Contract expired New contract: 1 year	5.5¢ per hour general increase (2.6% average) 0.6¢ per hour inequity adjustment	Added: ½ holiday (New Year's Eve) and jury duty pay
hinery		
Chain Belt Co. with *Steelworkers* at Springfield, Mass. 300 hourly Effective 5-1-58. Contract expired New contract: 2 years. Reopening on wages and SUB 5-1-59	6¢ to 12¢ per hour general increase (8.5¢ per hour average)	Added: Vacation pay
Combustion Engineering, Inc. with *Boilermakers* at Chattanooga, Tenn. 2,800 hourly Effective 5-1-58. Contract expired New contract: 2 years. Reopening 7-12-59	10¢ per hour general increase Increased premium pay for overtime and holidays worked	Revised: Vacation pay
sportation Equipment		
Curtiss-Wright Corp. with *IAM* at Carlstadt, N. J. 900 hourly Effective 5-5-58. Contract expired New contract: 2 years. Reopening 4-19-59	7¢ per hour general increase Additional 1¢ to 4¢ increase to top four labor grades	Revised: Basic medical plan and life insurance
Fenestra, Inc. with *UAW* at Detroit, Mich. 700 hourly Effective 6-2-58. Contract expired New contract: 14 months	6.5¢ per hour general increase (2.5% average)	Revised: SUB plan
Goodyear Aircraft Corp. with *IAM* at Phoenix, Ariz. 1,000 hourly Effective 5-26-58. Contract expired New contract: 2 years	17¢ per hour general increase (8% average) Add'l. 5¢ per hour to certain skilled classifications Deferred increase: 5-4-59	Added: Jury duty pay and military leave pay
Lockheed Aircraft Corp. with *IAM* at Marietta, Ga. 9,500 hourly Effective 5-19-58. Contract expired New contract: 2 years	21¢ per hour average increase (from 18¢ to 27¢ per hour) Deferred increase: 3% but not less than 7¢ per hour 5-18-59	Added: Holiday pay, paid funeral leave and cost of living adjustment
Lockheed Aircraft Corp. with *IAM* at Burbank, Calif. 15,250 hourly Effective 5-12-58. Contract expired New contract: 2 years	20¢ per hour average increase (from 18¢ to 30¢ per hour) Deferred increase: 3% but not less than 7¢ per hour general increase 5-11-59	Added: Cost of living adjustment Revised: Holiday pay
Rheem Mfg. Co. (Automotive Division) with *UAW* at Fullerton, Calif. 500 hourly Effective 5-31-58. Contract expired New contract: 1 year	No immediate increase	Added: Major medical insurance and basic medical plan for dependents
Thompson Products, Inc. with *Aircraft Workers Alliance, ind.* at Cleveland, Ohio. 11,000 hourly Effective 6-1-58. Contract expired New contract: 2 years	7¢ per hour average increase (from 6¢ to 9¢ per hour) Deferred increase: 7¢ per hour average (from 6¢ to 9¢ per hour) in 1959	Revised: Vacation and holiday pay, cost of living adjustment
r Durables		
American Optical Co. (Instrument Div.) with *Glass & Ceramic Workers* at Buffalo, N. Y. 600 hourly Effective 5-5-58. Contract expired New contract: 1 year	7¢ per hour general increase on day work. 5¢ per hour general increase on piece work Add'l. 7¢ per hour increase to skilled trades	Revised: Insured disability pay and holiday pay

Significant Pay Settlements—Continued

Company, Union¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
14. Art Metal Construction Co. with *IAM* at Jamestown, N. Y. 1,150 hourly Effective 5-19-58. Contract expired New contract: 1 year	7¢ per hour general increase (5% average)	Revised: Basic medical plan
15. Bird & Son, Inc. with *Rubber Workers* at Norwood, Mass. 450 hourly Effective 6-9-58. Contract expired New contract: 2 years. Reopening 5-18-59	5¢ per hour general increase retroactive to 5-19-58	No change
16. Philip Carey Mfg. Co. with *Papermakers & Paperworkers* at Lockland, Ohio. 1,100 hourly Effective 5-3-58. Contract expired New contract: 2 years	5¢ per hour general increase (6% average) Deferred increases: 2¢ per hour 1-5-59 and 6¢ per hour 5-3-59	No change
17. U. S. Ceramic Tile Co. with *Glass & Ceramic Workers* at East Sparta, Ohio. 800 hourly Effective 4-25-58 (signed 5-8-58). Contract expired New contract: 1 year	5¢ per hour general increase (3% average)	No change
Chemicals and Allied Products		
18. Acme Quality Paints, Inc. with *Oil, Chemical & Atomic Workers* at Detroit, Mich. 286 hourly Effective 6-1-58. Contract expired New contract: 1 year	8¢ per hour general increase	Revised: Vacation pay and basic medical p
19. Monsanto Chemical Co. with *Chemical Workers* at Everett, Mass. 700 hourly Effective 6-15-58. Contract expired New contract: 2 years. Reopening 6-15-59	9¢ per hour general increase Add'l. 4¢ per hour to certain chemical operators and maintenance employees	Revised: Company paid sick leave
20. Pacific Coast Borax (Div. of U. S. Borax & Chemical Corp.) with *Chemical Workers* at Wilmington and Boron, Calif. 1,300 hourly Effective 5-1-58. Contract expired New contract: 2 years. Reopening 5-1-59	5% general increase (12.4¢ per hour average) Add'l. 5¢ to 10¢ per hour increases to various classifications	Added: Supplements to workmen's com sation, company paid sick leave, vaca pay and paid funeral leave Revised: Major medical insurance, basic m ical plan, life insurance and holiday pa
21. Sherwin-Williams Co. with *Oil, Chemical & Atomic Workers* at Chicago, Ill. 1,500 hourly Effective 6-1-58. Contract expired New contract: 1 year	8¢ per hour general increase	Revised: Vacation pay and basic medical
22. Sherwin-Williams Co. with *District 50, UMWA, ind.* at Cleveland, Ohio Effective 7-1-58. Contract expired New contract: 1 year	3.5% general increase (8¢ per hour average)	Revised: Vacation pay and basic medical
Food and Allied Products		
23. Brown-Forman Distillers Corp. with *Distillery Workers* at Louisville, Ky. 600 hourly Effective 5-1-58. Wage reopening Contract expires 5-1-59	10¢ per hour general increase (4.6% average)	No change
24. Five Detroit brewery companies *Brewery Workers* at Detroit, Mich. 5,000 hourly Effective 5-16-58 (wages), 6-1-58 (insurance), 4-1-58 (other). Contract expired New contract: 3 years	10¢ per hour general increase (3.7% average) Deferred increases: 10¢ per hour 4-1-59 and and 4-1-60 40-hour week including ½-hour paid lunch period beginning 1-1-59	Revised: Basic medical plan, vacation paid funeral leave and severance pay
25. Swift & Co. with *Chemical Workers* at Bartow, Fla. 400 hourly Effective 5-15-58. Contract expired New contract: 2 years	8¢ per hour average increase (from 6¢ to 12¢ per hour)	Added: Vacation and holiday pay

Significant Pay Settlements—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
per and Allied Products		
American Can Co. (Marathon Div.) with *Pulp, Sulphite & Paper Mill Workers* and *Papermakers & Paperworkers* at Rothschild, Ashland, Menasha and Wausau, Wis.; and Menominee, Mich. 3,050 hourly Effective 5-1-58. Contract expired New contract: 1 year	5¢ per hour general increase	Revised: Holiday pay
Behr-Manning Co. (A Div. of Norton Co.) with *Papermakers & Paperworkers* at Troy, N. Y. 1,000 hourly Effective 5-1-58. Contract expired New contract: 1 year	3¢ to 9¢ per hour general increase	Revised: Vacation pay
International Paper Co. (Southern Kraft Div.) with *Papermakers & Paperworkers; Pulp, Sulphite & Paper Mill Workers;* and *IBEW*. Interstate. 11,000 hourly Effective 6-1-58. Wage reopener Contract expires 5-31-59	4¢ to 8¢ per hour general increase (5.05¢ average) Add'l. adjustments averaging 1.25¢ per hour to certain employees in all departments	Revised: Normal pension benefit, health and life insurance for retired, and holiday pay
International Paper Co. (Northern Div.) with *Papermakers & Paperworkers; Pulp, Sulphite & Paper Mill Workers;* and *Firemen & Oilers*. Interstate. 4,500 hourly Effective 6-1-58. Contract expired New contract: 1 year	5¢ per hour general increase Add'l. 5¢ per hour to head mechanics, 3¢ per hour to mechanics, and 1¢ per hour to helpers	Revised: Vesting provision, life insurance for retired and vacation pay 6-1-59
Kimberly-Clark Corp. with *Papermakers & Paperworkers* and *Pulp, Sulphite & Paper Mill Workers* at Neenah, Wis. 1,877 hourly Effective 6-1-58. Contract expired New contract: 1 year	5¢ per hour general increase Add'l. 7¢ per hour to fire chief and 2¢ per hour to 2 classifications of beatermen Shift differential increased to 12¢ per hour from 10¢	Revised: Vacation pay
Kimberly-Clark Corp. with *District 50, UMWA, ind.* at Niagara Falls, N. Y. 1,511 hourly Effective 6-9-58. Contract expired New contract: 1 year	5¢ per hour general increase	Revised: Vacation pay
Rhinelander Paper Co. with *Pulp, Sulphite & Paper Mill Workers* and *Papermakers & Paperworkers* at Rhinelander, Wis. 950 hourly Effective 6-1-58. Contract expired New contract: 1 year	5¢ per hour general increase Add'l. 5¢ per hour to some coating machine operators and helpers and 3¢ per hour to barker helper	Revised: Normal pension benefit and holiday pay
Sutherland Paper Co. with *Papermakers & Paperworkers* at Kalamazoo, Mich. 2,200 hourly Effective 5-26-58. Contract expired New contract: 15 months	10¢ per hour general increase (5% average) Add'l. 3¢ per hour to female employees	Added: Vesting provision Revised: Normal pension benefit, disability provision, basic medical plan, and vacation pay
troleum Refining and Related Industries		
Cities Service Refining Corp. with *Metal Trades Council* at Lake Charles, La. 1,171 hourly Effective 5-1-58. Contract expired New contract: 2 years	No immediate increase	No change
onmanufacturing		
Bath Iron Works Corp. with *Marine & Shipbuilding Workers* at Bath, Me. 2,200 hourly Effective 6-12-58. Contract expired New contract: 2 yrs. 4 mos. Next reopening 10-16-59	4.25% general increase (8.9¢ per hour average) retroactive to 12-9-57 Deferred increase: 4% 9-1-58	Revised: Life insurance for retired and insured disability pay

Significant Pay Settlements—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
36. Key System Transit Lines with *Motor Coach Employees* at San Francisco, Calif. 1,161 hourly (125 salaried) Effective 6-7-58. Contract expired New contract: 2 years	18¢ per hour general increase	Revised: Major medical insurance, comp[a] paid sick leave, and vacation pay
37. Labor Standards Assn. (representing United Parcel Service, Gimbel's and Kaufman's dept. stores) with *Teamsters, ind.* at Pittsburgh, Pa. 450 hourly Effective 2-17-58 (signed 4-10-58). Contract expired New contract: 5 years. Next reopening 2-15-59	5¢ per hour general increase (2% average)	Added: Normal pension benefit Revised: Basic medical plan, life insura[n] and company paid sick leave
38. Michigan Consolidated Gas Co. with *Gas Workers* at Detroit, Mich. 2,700 hourly (238 salaried) Effective 6-12-58. Contract expired New contract: 2 years	8.5¢ per hour general increase (3.33% average) Deferred increase: 3% general increase 6-12-59	Revised: Basic medical plan, company p sick leave, and vacation pay
39. New York Shipbuilding Corp. with *Boilermakers* at Camden, N. J. 7,469 hourly (100 salaried) Effective 6-24-58. Contract expired New contract: 2 years	17¢ per hour general increase Deferred increase: 10¢ per hour 6-24-59	Revised: Basic medical plan, vacation p and annual wage guarantee
40. Peoples Gas Light & Coke Co. with *Gas Workers* at Chicago, Ill. 2,070 hourly Effective 5-1-58. Contract expired New contract: 1 year	14¢ per hour average increase (from 12¢ to 15¢ per hour)	Revised: Severance pay
41. Public Service Electric & Gas Co. with *IBEW* in 9 New Jersey counties. 5,200 hourly Effective 5-2-58. Contract expired New contract: 1 year	4.75% general increase (11¢ per hour average)	Added: Company paid Blue Cross Revised: Minimum pension and vacation
42. Washington State Restaurant Assoc., Inc. with *Hotel & Restaurant Employees* at Seattle, Wash. 8,500 hourly (9,000 salaried) Effective 6-1-58 (signed 6-28-57). Contract expired New contract: 1 year	8¢ to 19¾¢ per hour increase (8% average)	No change
43. Western Union Telegraph Co. with *Telegraphers*. Interstate. 22,000 hourly (2,400 salaried) Effective 6-1-58. Contract expired New contract: 2 years	6¢ per hour general increase (5.5% average), excluding walking and bicycle messengers. Rates scheduled for walking and bicycle messengers revised from $1 per hour starting rate, $1.05 after 12 months, $1.10 after 24 months to $1 starting rate, $1.10 after 12 months and $1.16 after 24 months	Revised: Normal pension benefit, disabi pension and vesting provision
44. Western Union Telegraph Co. with *American Communications Association, ind.* in New York Metropolitan area. 3,150 hourly (450 salaried) Effective 6-1-58 (wage increase 9-1-58). Contract expired New contract: 2 years	5¢ per hour general increase, excluding walking and bicycle messengers. Rates for walking and bicycle messengers same as in settlement above	Same as above
	SALARIED ADJUSTMENTS	
45. Chicago Daily News, Inc. with *Newspaper Guild* at Chicago, Ill. 470 salaried (20 hourly) Effective 6-1-58 (wages), 5-4-58 (other items). Contract expired New contract: 2 years	10¢ per hour average increase (from $3 to $4.50 per week) Automobile allowance increased to $30 per week from $27.50 Deferred increase: From $2.50 to $3.25 per week, depending upon weekly salary, 5-4-59	Revised: Severance pay
46. Chrysler Corp. with *Plant Guard Workers, ind.* in Michigan, California, and Indiana. 800 salaried Effective 6-16-58. Contract expired New contract: 2 years	3% general increase (7¢ per hour average) Deferred increase: 3% 6-1-59	No change

Significant Pay Settlements—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Givaudan Corp. with *Oil, Chemical & Atomic Workers* at Delawanna, N. J. 25 salaried clerks and lab. technicians Effective 5-15-58 (signed 6-9-58). Contract expired New contract: 1 year	6% general increase (11.8¢ per hour average) Add'l. $2 per week to switchboard operator (schedule change)	Added: Major medical insurance Revised: Life insurance
Joy Mfg. Co. with *Office Employees* at Franklin, Pa. 150 salaried Effective 6-1-58. Contract expired New contract: 1 year	$12 per month general increase (4.25% average) Deferred increase: $7 per month 12-8-58	Revised: Vacation pay and severance pay
Key System Transit Lines with *Motor Coach Employees* at San Francisco, Calif. 125 salaried in bargaining unit described in #36 above	Same as adjustment for hourly described in #36 above	Same as adjustment for hourly described in #36 above
Michigan Consolidated Gas Co. with *Gas Workers* at Detroit, Mich. 238 salaried in bargaining unit described in #38 above	Same as adjustment for hourly described in #38 above	Same as adjustment for hourly described in #38 above
New York Shipbuilding Corp. with *Boilermakers* at Camden, N. J. 100 salaried in bargaining unit described in #39 above	Same as adjustment for hourly described in #39 above	Same as adjustment for hourly described in #39 above
Photoengravers Board of Trade of N. Y., Inc. with *Photoengravers* in New York, N. Y. 900 salaried Effective 2-1-58 (signed 4-10-58). Contract expired New contract: 2 years. Reopening 1-31-59 (cost of living)	10% increase on all minimums up to $60 per week and 15% increase on all minimums from $61 up	Added: Cost of living adjustment Revised: Major medical insurance, basic medical plan, life insurance, insured disability pay, vacation and holiday pay, and severance pay
Public Service Electric & Gas Co. with *Utility Co-Workers' Assn., ind.* in 3 New Jersey counties and Office Employees in 6 New Jersey counties. 177 salaried in Utility Co-Workers' Assn. and 330 salaried in Office Employees Effective 5-2-58. Contract expired New contract: 1 year	Same as adjustment for IBEW hourly employees described in #41 above	Same as adjustment for IBEW hourly employees described in #1 above
Southern Bell Telephone Co. with *Communications Workers*. Interstate. 54,769 salaried Effective 5-22-58. Contract expired New contract: 1 year	From 2.5¢ to 7.5¢ per hour increase (4.23¢ per hour average)	Revised: Paid sick leave
"Utica Observer-Dispatch" with *Newspaper Guild* at Utica, N. Y. 55 salaried (70 hourly). Effective 11-5-57 (signed 4-4-58). Contract expired New contract: 2 years	13.3¢ per hour general increase (4.8% average) Deferred increase: 8¢ per hour (2.8% average) 1959	Added: Vacation pay
Washington State Restaurant Assoc., Inc. with *Hotel & Restaurant Employees* at Seattle, Wash. 9,000 salaried in bargaining unit described in #42 above	Same as adjustment for hourly described in #42 above	No change
Western Union Telegraph Co. with *Telegraphers*. Interstate. 2,400 salaried in bargaining unit described in #43 above	$9 per month general increase (5.5% average)	Same as adjustment for hourly described in #43 above
Western Union Telegraph Co. with *American Communications Assn., ind.* in New York Metropolitan area. 450 salaried in bargaining unit described in #44 above	$8 per month general increase	Same as adjustment for hourly described in #44 above

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

(*Text continued from page 322*)

sick and accident benefits at less expense to them, as a result of their recent three-year contract.

The sick-leave plan in the old agreement provided seven days of sick leave per year, cumulative to thirty-five days. This sick leave was originally paid on the basis of an eight-hour day. In 1956 it was changed to a six-hour day as a result of arbitration. But at the time of the change, most employees still had eight-hour days in their "bank" to which they were entitled.

In giving up their accumulated sick leave and all other sick-leave provisions in the former contract, the Motor Coach Employees received in exchange health and accident benefits ranging from $40 to $65 a week. Benefits are graduated by job grade with $5 increments between grades from lowest to highest. Most employees in the bargaining unit are in Grade 4, which allows $55 a week. Maximum duration of benefits is twenty-six weeks.

Benefits under the new health and accident insurance plan begin with the eighth day of illness or incapacity to work, except that benefits are payable from the first day if the employee is hospitalized or incapacitated as a result of an accident.

As part of the new agreement, the employee's contribution to group insurance is reduced to $1.25 a month. Under the old plan he paid $3.25 a month for which he received $30 a week maximum benefits for up to twenty-six weeks, and $2,000 life insurance.

Effective January 1, 1959, the Cleveland Transit System will increase its contribution from $2 to $4 per month per employee toward hospitalization and surgical insurance. Also on next January 1, eligibility for four weeks' vacation will be reduced to twenty years from twenty-five.

A cost of living clause in the new agreement permits adjustments on each of the two contract anniversary dates. The first adjustment will be based on the change in the Cleveland index for the nine-month period between August, 1958 and May, 1959. The second adjustment will be based on the change in the Cleveland index for the period August, 1958 to May, 1960. A penny increase will be granted for each point rise in the index.

Birthday Pay Assured in Building Service Contract

Whether an employee's birthday falls on Sunday, a contract holiday, or a regular work day, he will receive a paid day off or an extra day's pay as a result of the new contract between the Realty Advisory Board and Local 32-B of the Building Service Employees' Union. The birthday provision becomes effective the second year of the three-year agreement. If the employee's birthday is February 29, he need not wait for leap year to cash in on the added holiday. March 1 becomes the adopted birthday. Where work schedules do not permit a day off on the employee's birthday, he may take another day off instead within ten days after that date. In addition to the birthday bonus, the contract provides for nine paid holidays.

Also, under the new agreement, employees working the standard forty-hour week receive a weekly increase of $2; rates for part-time employees are hiked proportionately. Contract minimums are similarly increased. A further wage boost of $2.50 per week is deferred until October, 1959. Part-time employees receive proportionate deferred increases, and contract minimums will be increased again as well. The three-year agreement carries no wage reopening.

Beginning November 1, 1959, employers will contribute $2 per week for each regular employee to a new Building Service pension fund. The contribution will be upped to $3 a week November 1, 1960, on which date benefits become available. Benefit amounts and conditions governing distribution are yet to be worked out. Any employee who retires on or after April 20, 1958 and who at the time of retirement meets eligibility requirements is covered by the plan.

A revised welfare plan, effective July 1, 1958, includes extension of group hospitalization for a period of one year after termination of employment for employees sixty-five years or older with ten years or more of service. Also, optical examination and eyeglasses are provided. These welfare services are financed by the joint welfare trust fund out of the fund's accumulated surplus. The services will not entail any additional contribution by participating employers. Employers whose employees are not covered under the fund, but under direct welfare plans, are required to provide these additional benefits unless their present plans already grant the equivalent. Equivalency will be determined by the trustees of the fund.

A revised termination pay clause, effective April, 1959, provides that an employee who is separated because of physical or mental disability will receive termination pay. The termination pay ranges from one week for employees with five but less than ten years' service to four weeks for employees with twenty years or more of service. Also, vacation schedules will be relaxed in April, 1959 to three weeks after ten years instead of after fifteen years.

About 11,000 residential building service employees are covered by the agreement.

Other contract settlements are given in the table which starts on page 323.

N. Beatrice Worthy
Division of Personnel Administration

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In the September Business Record

Report on Capital Planning—The ninth quarterly survey of capital appropriations made by The Conference Board under Newsweek magazine sponsorship raises hopes that the two-year drop in commitments may be coming to an end. Among the signs is the increase in new approvals by durable goods makers.

Public Works Spark 1958 Construction—With general government construction activity already at a forty-year peacetime high, increased allocations of funds for superhighways and liberalized federal home-building programs should contribute to further expansion of the industry in the second half.

The Recession—and other Nations—"When applied to the current recession, how true is the maxim that 'when America sneezes, Europe (and, for that matter, Canada) catches pneumonia'?" The answer is sought in an examination of the business health of eight foreign states vis-a-vis that of the USA.

Capital Expansion, Output and Overcapacity—How much excess capacity was there in various industries when production was last at its peak? If data on this point had been available, they might have provided an indication, says the author, of "the probable severity and duration of the recession." With some "significant absenses," the industries examined were found to have had varying degrees of idle plant and equipment at the top of the cycle.

Spending for Research—Most companies surveyed are devoting as much or more money to research this year as in 1957, according to this month's survey of business practices. The survey reveals how 167 firms budget their research undertakings, how much they spend in relation to sales, in whom they place responsibility for performance, what standards they set for evaluating the success of projects, as well as the value they place on the research function itself.

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.

PRINTED IN U.S.A.

NATIONAL INDUSTRIAL CONFERENCE BOARD · INC.

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